

LATE NEWS

Dow Index Sets 2 Records

The New York Stock Exchange's main barometer soared a record 44.01 points Monday to close at 1,971.32, a new high, and boosted hopes that the index might soon top 2,000.

The gain in the Dow Jones industrial average was fueled by a strong bond market and the lifting of tax-related incentives to sell.

The previous high of 1,955.57 was set Dec. 2, while the previous single-day gain of 43.41 points came on Nov. 3, 1982. The Dow has risen 75 points, or 5 percent, in the first two trading days of the year.

INSIDE TODAY



House Speaker Jim Wright said President Reagan's 1988 budget, with \$1 trillion in spending, will be cut "very substantially." Page 3.

GENERAL NEWS

Four militiamen with the South Lebanon Army were killed by a land mine. Page 6.

East Germany denied a charge by Helmut Kohl that it holds political prisoners in concentration camps. Page 2.

BUSINESS/FINANCE

Iraq has adopted a fixed-price stem for most of its crude oil contracts that is in line with the OPEC system. Page 7.

Pressure is mounting on the chairman of Guinness PLC to resign. Page 7.

SORTS

Denver beat New England, 17-7, to win a berth in the U.S. American Conference II against Cleveland. Page 15.

2 Soviets Meet With Najibullah

Visit to Kabul By Shevardnadze Was Unexpected

By William J. Eaton
Los Angeles Times Service

MOSCOW — Foreign Minister Eduard A. Shevardnadze of the Soviet Union and another senior official flew to Kabul on Monday for talks with the Afghan leader, Major General Najibullah, following his offer of a cease-fire in the seven-year war with Moslem rebels.

Tass, the official press agency, reported the unscheduled visit but gave no explanation for the visit by Mr. Shevardnadze and Anatoli F. Dobrynin, a secretary of the Communist Party.

But their arrival in Kabul, where they were welcomed by General Najibullah at the airport and held talks with him later, seemed to underscore Khrushchev's backing for the Afghan leader's proposal for a six-month cease-fire with the guerrillas.

It was the highest-level delegation from Moscow to visit Kabul in recent years. The Soviet Union has an estimated 115,000 troops in Afghanistan.

Western diplomats said they were taken by surprise by the announcement of the Shevardnadze-Dobrynin mission and had no definite information on its purpose.

Tass said Mr. Shevardnadze and Mr. Dobrynin were on a "working visit" at the request of the ruling party and the Afghan government. It gave no indication how long they would remain in Kabul.

General Najibullah made his cease-fire announcement two weeks before the start of a meeting of the Organization of Islamic Countries in Kuwait. A Western diplomat said that General Najibullah might be trying to mute Islamic criticism of the Soviet military presence.

Western analysts generally said, however, that the move seemed geared to the new round of Geneva talks sponsored by the United Nations that are to open Feb. 11.

Fighting in Afghanistan usually tapers off during the winter months, but rebel leaders have said they hope to start an offensive Jan. 15 to show their contempt for General Najibullah's cease-fire proposal.

General Najibullah's reference to a coalition government, a West-



Eduard A. Shevardnadze

ern observer said, sounded like similar proposals made in East Europe countries after World War II; the coalitions proved to be vehicles for Communist takeovers.

In the past, the Soviet Union has denounced the leaders of Moslem guerrillas as little more than bandits who do the dirty work for Western imperialists, especially the United States.

But Moscow has welcomed General Najibullah's plan for talks with the rebel commanders and Tass has carried endorsements of the plan from other Communist capitals.

The Soviet Union claimed it withdrew six regiments of troops from Afghanistan in October. U.S. officials, however, have said the troops were replaced by others, so there was no actual reduction of Soviet forces in the country.

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Reagan's Surgery Successful

No Cancer Seen In First Tests of Prostate Tissue

By Christine Russell
Washington Post Service

WASHINGTON — President Ronald Reagan underwent prostate surgery at Bethesda Naval Hospital on Monday, and his doctor said afterward that preliminary results showed "no suspicion of cancer."

Dr. John Hutton described the operation as "very routine" in a statement released by the White House. "The procedure went very smoothly," he said. "There was nothing out of the ordinary."

Mr. Reagan's surgery followed a procedure Sunday to check for a recurrence of the cancer removed from his colon in July 1985. Doctors using a flexible fiber-optic tube examined the entire length of the president's colon, and found and removed four small growths.

The chief White House spokesman, Larry Speakes, said Monday that laboratory tests of the polyps found they were "benign, as expected."

He said that final tests of the prostate tissue were expected on Tuesday. Also on Tuesday, Mr. Reagan, 75, is to complete a series of routine follow-up tests for cancer by undergoing X-ray scans of his abdomen and pelvis.

Although the polyps removed from the president's colon were benign, doctors said a recurrence of cancer was more likely to be found elsewhere, such as in the liver, lungs or lymph nodes in the abdomen and pelvis.

The prostate operation Monday, conducted by surgeons from the Mayo Clinic in Rochester, Minnesota, was performed to relieve an enlargement of the prostate gland that has caused the president mild, recurring discomfort in urination.

The surgeons flew to Washington at the request of the president's wife, Nancy.

Mr. Speakes said at a briefing that the surgery lasted about an hour. He said a spinal anesthetic had numbed sensation in the president's lower body, but that Mr. Reagan had remained conscious throughout the procedure.

Mr. Speakes said the 25th See REAGAN, Page 2



Beijing University students burning copies Monday of the Beijing Ribao to protest reporting on their demonstrations.

Students Burn Beijing Paper to Protest Criticism

By Daniel Southerland
Washington Post Service

BEIJING — Student protesters burned hundreds of copies of Beijing's leading Communist Party newspaper on Monday to protest what they called distorted coverage of their demonstrations and demands.

More than 300 students at Beijing University focused on the one newspaper that has angered them the most, the Beijing Ribao, a paper controlled by the Propaganda Department of the Beijing Municipal Communist Party Committee.

Students gathered in circles around burning copies of the Beijing Ribao in a bulletin board area on the university campus where posters have been pasted up. Other students threw copies of the paper out of their dormitory windows.

A small poster urged the newspaper to send some of its writers to the campus for an open debate.

Throughout four weeks of pro-democracy demonstrations, university students in Beijing and in several other cities have criticized the party-controlled press. One of their key demands has been for a free press, by which many of them seem to mean full and fair coverage of their demands.

One of the students who had tossed copies of the newspaper

onto a bonfire said the paper unfairly portrayed student demonstrators as enemies of the Communist Party.

The Beijing Ribao increased the ideological pressure on the students by urging them in a front-page editorial on Monday to draw a line between themselves and the country's "class enemies." It called the students "naive" and said their actions helped enemies.

The paper said that the students insisted on holding their demonstration despite warnings from a city spokesman that "hostile elements" were planning to take advantage of the demonstration to cause "chaos" in Beijing and other cities.

"We can't find a hint of adhering to Marxism in this," the editorial said.

It said that using Communist slogans to attack communism was a "double-faced tactic" which had been used before.

Such strident editorial criticisms of the students are believed to be coming mostly from conservative Marxists or dogmatists who are unhappy with the ideas of making any major changes in the country's political system.

Some analysts say they believe that Xu Weicheng, the director of the Beijing Ribao, is such a conservative, but few Chinese or foreign observers seem to know enough about his background to say with certainty.

And some Western diplomats say they believe that Deng Xiaoping, the Chinese leader, finds it useful at this point to let the conservatives give their views on the students.

Statements from the conservatives put pressure on the students to stop demonstrating, one diplomat said. They show the students that there is a danger of a conservative backlash against them.

Mr. Deng may have no great problem with the conservatives' statements now, because he probably agrees with much of what they say about the need for stability and unity, the diplomat said.

Some Beijing University students said Monday that they do not want to continue with their demonstrations at this point, because it will play into the hands of Mr. Deng's conservative opponents.

Many of the students say that they support Mr. Deng's economic program but want more rapid change, particularly in the political area.

Mr. Deng and the country's highest-level officials, such as the Communist Party leader, Hu Yaobang and Prime Minister Zhao Ziyang, who are leading reformists, have not spoken out since the student demonstrations erupted four weeks ago.

A small poster seen at Beijing

Collapse of Peace Talks Is Predicted As Manila, Rebels Stay 'Poles Apart'

By Keith Richburg
Washington Post Service

MANILA — The euphoria following last month's signing of the first truce in the 18-year Communist insurgency in the Philippines has given way to a new mood of frustration and pessimism, as peace talks aimed at ending the guerrilla war have bogged down.

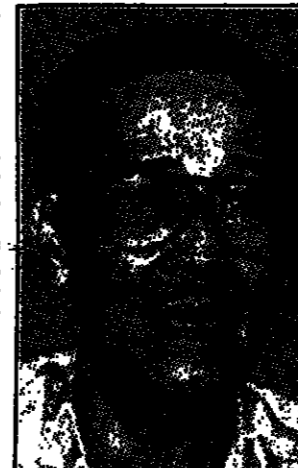
The government of President Corason C. Aquino and Communist rebels are stymied over exactly what the two sides should be discussing. And a rebel spokesman said Sunday that prospects for a settlement were "dimmer than at any time in the past."

The collapse of the peace talks —

which almost everyone expects — would likely mean a full resumption of the guerrilla war, something that both sides want to avoid. But without some visible progress over such seemingly intractable issues as power-sharing, neither side could find much political value in continuing the fragile truce when it expires early next month.

Antonio Zume, representative of the National Democratic Front, which is negotiating for the Communists, said Sunday that the two sides remained "poles apart."

"A consensus is developing in our forces," he said. "That a cease-fire should only be extended if we have obtained substantial progress in our talks."



Antonio Zume

harmonize the two approaches, we cannot find a basic common ground."

Mr. Zume's comments marked the far left's most pessimistic appraisal to date about the prospects for the outcome of the talks, which both sides predicted would be far more difficult than the earlier, successful talks.

See TRUCE, Page 2

Spies and Defections in the Turret U.K. Government, Press at Odds Over Secret Briefings

By Francis X. Clines
New York Times Service

LONDON — Parliament was finally told recently about one of the worst-kept secrets in this nation, where official secrets are as rampant as the spies that seem to regularly broker them: "There is a room in the turret of Westminster which does not exist in which are held meetings that do not take place."

The revelation in mock-hushed tones from a member in the House of Commons concerned journalism, not espionage.

The nonmeetings in the turret occur every working day at 4 P.M., when the reporters who cover the government and House of Commons hear from Bernard Ingham,

the prime minister's press secretary, and his aides. They answer questions on various current issues with the stipulation that none of what they say can be attributed to the Downing Street office of the prime minister in news reports.

"The system gives him despatchability, and what greater gift could a civil servant receive?" asks James Naughtie, the correspondent of The Guardian, who has made himself something of a pariah lately by directly attributing self-serving disclosures to government officials who speak at the briefings.

This decision of The Guardian to break with an important tradition of British journalism has rolled at least two estates.

The "lobby," or association, of 130 news reporters who still take part in the sessions debated and narrowly defeated a change in their rule of nonattribution. For his part, Mr. Ingham threatened to quit the session if they voted the change, and he is reliably reported to be mocking the controversy as an exercise in righteousness in a situation in which the reporters need him more than he needs them.

"The British people don't recognize the 'right to know' — that's for the birds, that's for the media," one Downing Street official said in response to an American's question.

"Britain is full of communitarian people, but they don't live on Fleet Street," said the official, insisting that the public prefers the current oblique advantage its government enjoys in selectively leaking information to reporters.

The controversy hardly ended with the reporters' recent 67-55 vote to keep the nonattribution rule binding on members who choose to join. Mr. Naughtie has more than one source, and while not attending the meetings he has nevertheless found out what goes on from colleagues who do and he has then reported some of it.

"The rats inside talk to the rats outside," a British person held in respect by Mr. Ingham's office declared the other day in describing how Mr. Naughtie is still able to get information on the lobby briefings.

Mr. Ingham, a crafty and devoted defender of Prime Minister Margaret Thatcher, responded to Mr. Naughtie's latest breach of the lobby's shield by pronouncing the daily meetings as not "secret" and by being more wary at them, according to various participants.

At the heart of the problem are a number of needs, including that of Mr. Ingham, an alumnus of The Guardian, to shape favorable press

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Soviet Lists Inducements To U.S. Firms

By Bill Keller
New York Times Service

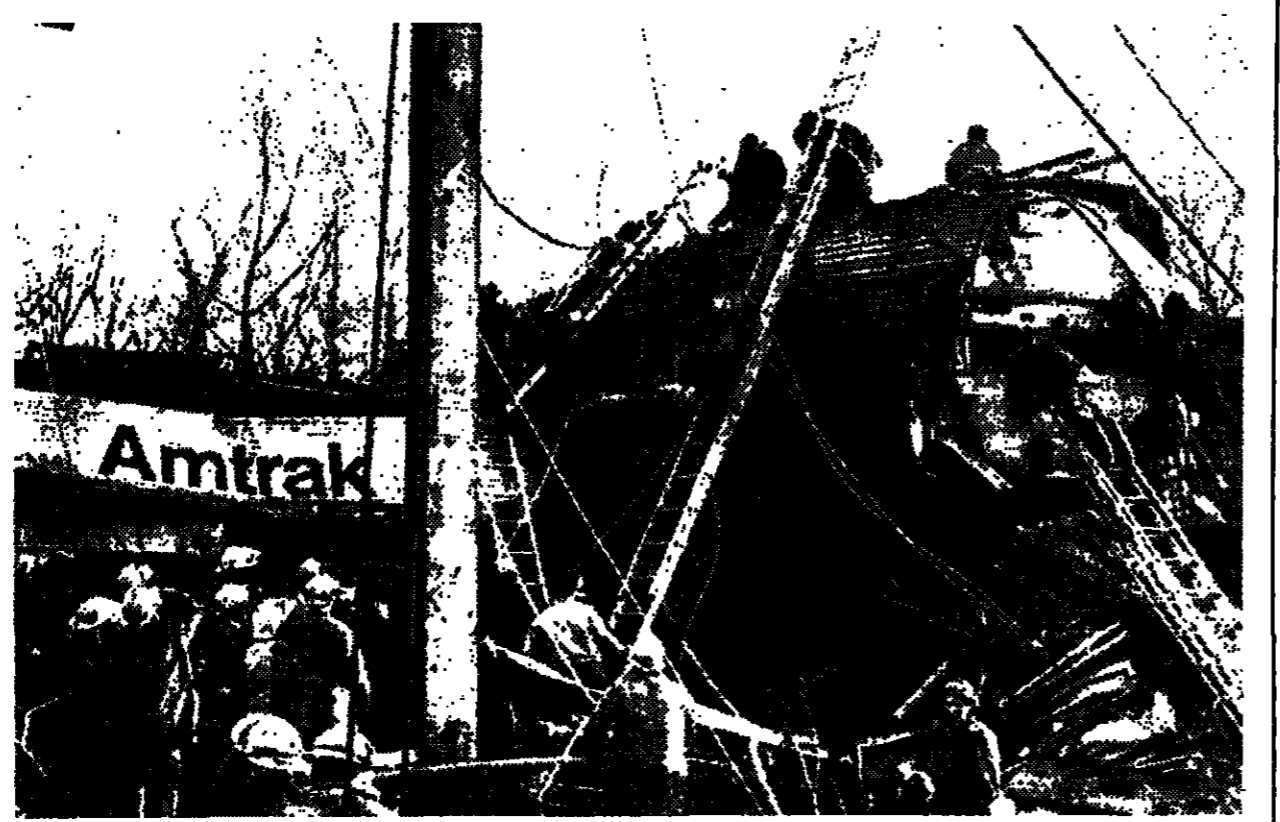
MOSCOW — A Soviet trade official said Monday that the Soviet Union would offer unprecedented varying inducements and tax breaks as inducements to encourage American companies to enter into joint business ventures with Soviet industries.

The official, Yuri A. Kislentko, said the joint ventures would be given "several" years of tax-free operation, complete independence from central Soviet economic planning and the freedom to experiment with Western labor management techniques.

Mr. Kislentko, who represents the Soviet Ministry of Foreign Trade on a top-level government committee responsible for working out terms of the new ventures, said that Soviet-American partnerships may be allowed to compete with government-run industrial enterprises for customers both in the Soviet Union and abroad.

His remarks, in an interview at the Foreign Trade Ministry, were the most detailed official statements to date of how the Soviet

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15 Dead, 175 Hurt in U.S. Rail Wreck

Rescue workers searching Monday for victims of a rail accident near Baltimore that killed at least 15 persons and injured 175, including 78 seriously. At least 24 trains had to be canceled after

an Amtrak train derailed Sunday when it collided with a freight engine, killing the Amtrak engineer. It was Amtrak's worst accident since the passenger system began operating in 1971.

The Race for the White House: With No Front-Runners, All Bets Are Off

By Paul Taylor
Washington Post Service

WASHINGTON — When Paul Weyrich, a conservative activist, appears before Republican groups around the country, he often asks people whom they are supporting for president in 1988. "I get two responses," Mr. Weyrich said. "Either they're uncommitted, or they're apologetic about the candidate they are supporting."

Peter Kelly, a longtime Democratic fund-raiser, runs into the same sort of thing. "At this stage four years ago, I'd say 85 percent of the inside players — the money people and the activists — had signed up with some presidential camp. This year, it's maybe 10 percent."

In an age when presidential campaigns have been lasting longer and longer, this one seems poised to break the trend.

Several loosely connected circumstances have slowed the insider activity and probably will delay the start of the season in which the campaign engages the public's attention. They include the ab-

sence of an obvious choice in either party, the continuing uncertainty about who is going to run, the disjunction of the front-runners to force the pace, the absorption with the Iran arms affair and the uncertainty over the issues of the post-Reagan political debate.

Meantime, nearly half the delegates to both major parties' national conventions will be selected from Feb. 8 to March 8. This drastic compression in the calendar of 1988 primaries and caucuses raises the prospect that campaigns that start late could well end early.

"1988 is going to be short and intense," said Thomas Donilon, a veteran Democratic presidential strategist who is working for the undeclared presidential campaign of Senator Joseph R. Biden Jr., a Delaware Democrat. "The American people are going to have a tremendous amount to absorb in a short period of time."

What this means is that this presidential race is likely to stay in a fluid, all-

bets-are-off posture right up to the moment when the voters first get their hooks into it, in February 1988.

Who does that kind of pacing help? One Democratic pollster, Peter Hart, is

But there is an opposite analysis: If the race is going to be short, if public attention is going to be divided between two fights, and if the contender is going to demand the ability to wage a 19-state war

a rundown of the way each contest shapes up at the moment:

For now, the two big questions in the Democratic field are: Will Governor Mario M. Cuomo of New York get in? And, will Senator Gary Hart of Colorado, who came so close in 1984, prove to be a passing fancy?

Since amassing 65 percent of the vote in winning a second term as governor, Mr. Cuomo has not behaved much like a 1988 presidential candidate. He has quarreled, and subsequently made up, with the New York news media, and he has declined an invitation to give the main speech at the annual Democratic dinner in New Hampshire in March.

However, Mr. Cuomo has enough of a financial base, from the more than \$3 million left over from his gubernatorial campaign, and from the simple assets any sitting governor of New York can tap, to afford a late entry. If he gets in, he is the one candidate with a chance to pick up the endorsement of organized labor.

"I'm not thinking about" running for

president, Mr. Cuomo said last week. "I'm not planning for it; I'm not planning to plan for it." But he refused to close the door all the way. By the end of this month — when his inauguration, state of the state speech and budget address are behind him — "maybe I will let my mind wander on to other things," he said.

Meantime, Mr. Cuomo has scheduled some "nonpolitical" out-of-state speeches this winter and spring. He also is contemplating a foreign trade mission to Asia and Europe, which would begin to plug a gaping hole in his presidential résumé — lack of foreign affairs experience and of travel.

As for Mr. Hart, he has had a fruitful post-November recruiting season. He just signed on Paul Tully, a veteran of the Walter F. Mondale and Edward M. Kennedy campaigns, as his national political director. Charles Manatt, the former Democratic Party chairman, will be the co-chairman of his exploratory committee. Mr. Manatt will try to wipe out Mr.

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'1988 is going to be short and intense. The American people are going to have a tremendous amount to absorb in a short period of time.'

— Thomas Donilon, campaign aide to Senator Joseph Biden

صكزامن الاصل

U.S. Supporters of Shift in Taiwan Weigh Beijing's Reactions

By Patrick L. Smith
International Herald Tribune

WASHINGTON — Congressional supporters of democratic development in Taiwan face a quandary over how to continue encouraging the political modernization process without hampering Washington's relations with Beijing.

With the emergence of the Democratic Progressive Party in elections last month, U.S. supporters of Taiwan's opposition movement will have to balance these concerns carefully if they are to avoid provoking a potentially hostile response from China, according to congressional sources and independent analysts.

The Beijing and Taipei governments both maintain that Taiwan is part of China and have both sought to reunify them — each on their own terms — since the Kuomintang, or Nationalist Party, fled to the island in 1949.

The new party, formed several months ago in defiance of martial law regulations, has called for self-determination for Taiwan's 19 million residents, even if this eventually leads to a declaration of independence.

In elections held Dec. 6, the Democratic Progres-

sives gained 23 of 157 contested seats in the Legislative Yuan and the National Assembly, Taiwan's highest legislative organs. This established the party as the first organized opposition group in the Kuomintang's 38-year rule.

In fundamentally altering the nature of politics in Taiwan, the election results have challenged many U.S. lawmakers, in particular leading liberals in the Senate and House of Representatives, to reconcile their support for democratic principles with the issue of Washington-Beijing relations.

"Most congressmen have tended to sidestep this aspect of the Taiwan question," said a senior Senate aide. "Now they will face a very delicate balancing act for many years to come."

Among both Democrats and Republicans on Capitol Hill, there is widespread support for the U.S. position on the China question, which includes an acknowledgment of the mainland's insistence that there is one China, with Beijing its capital. But many legislators also have backed Taiwanese political groups that are strongly influenced by activists seeking independence for Taiwan.

These legislators include Senator Edward M. Ken-

edy of Massachusetts and Representatives Stephen J. Solari of New York, Jim Leach of Iowa and Donald J. Pease of Ohio. All are Democrats concerned with the advancement of human rights.

Ironically, they now find themselves agreeing on the issue of self-determination with conservative remnants of the Taiwan lobby, which long campaigned for U.S. support for the Nationalists to return to power on the mainland.

Most immediately, attention is now focused on the role of Senator Claiborne Pell, Democrat of Rhode Island, who has been the most ardent supporter of the Kuomintang's political opponents. He will be the new chairman of the Senate Foreign Relations Committee.

Mr. Pell is not expected to alter his fundamental position on the Taiwan issue, according to Senate staff members. But like many other members of Congress, he is expected to draw increasing distinctions between his support for the island's advance toward democracy and demands for independence.

Few analysts expect the dilemma facing Congress to spill over into the formulation of U.S. policy, at least not in the near term. But analysts are concerned that political developments in Taiwan have made China

more sensitive to the posture adopted by many legislators.

"China is reluctant to bring this issue to a head," said Selig Harrison, a senior associate at the Carnegie Endowment for International Peace, a research institution. "But if Congress pushes things the wrong way, it could become a serious problem."

Chinese diplomats have indicated recently that the Taiwan issue could begin to slow the progress of U.S.-China relations within the next several years, according to Mr. Harrison.

Although Washington severed formal ties with Taipei when it recognized the Beijing government in 1979, it has maintained extensive unofficial contacts with Taiwan. U.S. arms sales to Taiwan last year were valued at about \$700 million.

It remains unclear how the new political equation in Taiwan will affect congressional support for the Formosan Association for Public Affairs, the Taiwan opposition's chief lobbying group in the United States.

The association, which includes many pro-independence activists, has gained in influence over the past several years, according to congressional sources.

WORLD BRIEFS

India May Spurn Soviet Aircraft Offer

NEW DELHI (Reuters) — The Soviet Union has offered India airborne warning and control systems planes to counter the proposed supply of U.S. surveillance planes to Pakistan but New Delhi may turn them down, an Indian news agency said Monday.

The United News of India said the Indian Air Force was not in favor of the Soviet IL-76 aircraft fitted with the systems because it was not as sophisticated as the U.S. version, the news agency said.

Reports of increased supplies of U.S.-made arms, including surveillance planes, to Pakistan have raised tensions between India and Pakistan. The two countries have fought three wars since gaining independence from Britain in 1947.

Mubarak Said to Reject U.S. Debt Plan

CAIRO (AP) — President Hosni Mubarak said Monday that he is not satisfied with a U.S. plan to ease the burden of Egypt's \$4.5 billion military debt to the United States.

The U.S. proposal would let Egypt refinance loans at an interest rate of 7.4 percent, a sharp reduction from the original rates of 11 percent to 13 percent charged in the 1970s. Under the plan, payment would be due in 2009. But some Egyptian economists have said the debt will be equally difficult to repay then. Government sources said that Mr. Mubarak had "basically" rejected the U.S. proposal.

All U.S. military aid to Egypt since 1984 has been as grants. The United States replaced the Soviet Union in the early 1970s as Egypt's main military supplier, but in the early years of the relationship most aid was in the form of sales. Egypt's debt totals about \$36 billion.

Chad Reportedly Downs Libyan MiG

NDJAMENA, Chad (AFP) — Chadian forces shot down a Libyan MiG fighter plane Monday over Fada in northeastern Chad, according to a government communiqué quoted by Chad Radio.

The statement also reported "blind bombing of the civilian population" at Zouar, southwest of Tibesti, by Libyan planes. Chad said Sunday that Libyan planes had bombed towns south of the 16th parallel, which has been defended by French troops to keep Libyan-backed rebels out of the southern half of the country.

Earlier, Chadian government sources said Libya had massed combat aircraft in southern Libya and northern Chad in preparation for further raids on Chadian government positions.

Soviet Studies 'Divided Spouses' Cases

MOSCOW (NYT) — The government is reconsidering several previously rejected emigration requests from Soviet citizens married to Americans, two of the Americans say.

The two, Keith B. Braun and Andrea M. Wine, said they were told by a Soviet Foreign Ministry official on Sunday that their cases were under "intensive review." According to U.S. diplomats, there are at least 20 such unresolved "divided spouses" cases.

Mr. Braun's wife, Svetlana, and Ms. Wine's husband, Viktor Fayermark, reportedly have been refused permission to emigrate. The Brauns were married in August 1984, and Ms. Wine and Mr. Fayermark in November 1985.

French Judge Escapes Attempt on Life

PARIS (Reuters) — The French judge in charge of cases involving the guerrilla group Direct Action escaped an attempt on his life Monday evening when a primed grenade was found near his apartment, police sources said.

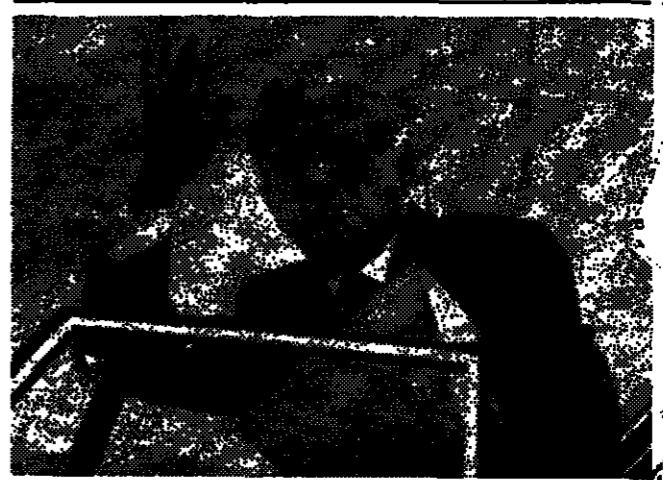
They said the grenade tied to a nylon string was found on the landing leading to the apartment of Judge Jean-Louis Bruguiere by a policeman making a regular check. The grenade trap could have been set on someone entering the apartment, the sources said, adding that the plot was not home when it was found.

Direct Action claimed it was responsible for the assassination of Renault chairman, Georges Besse, in November in Paris.

For the Record

President Hafes al-Assad of Syria met Monday in Damascus with Libya's deputy leader, Abdel Salam Jalloud, Syrian officials said. (AP)

The European consortium ArianeSpace said it had signed a contract to launch the Italian telecommunications satellite Italsat on an Ariane rocket from its space center in French Guiana in mid-1990. (Reuters)



Donald T. Regan, the White House chief of staff, signals that all is well as he leaves Bethesda Naval Hospital.

REAGAN: Surgery Is Successful

(Continued from Page 1)

Amendment to the U.S. Constitution was not invoked to temporarily transfer power to Vice President George Bush, as was done just before the president's surgery in 1985.

The surgery Monday did not involve an incision to reach the prostate, a gland located at the base of the bladder that secretes the male ejaculatory fluid. Instead a small, flexible tube, called a resectoscope, was inserted into the penis through the urethral canal, which passes through the prostate on its way to the bladder.

A surgeon is able to view the prostate gland through the tube and insert an instrument through it to cut away pieces of the enlarged prostate. Usually, the instrument has an electric current to help in the process. Pieces of prostate are then flushed back out through the tube and collected for laboratory study to make sure cancer cells are not present.

Cancer occurs in about 10 percent of cases, but is usually a slow-growing malignancy that poses no danger to a person of Mr. Reagan's age.

SOVIET: Tax Breaks Will Be Offered to U.S. Firms

(Continued from Page 1)

Western and Soviet officials said three American companies had signed letters of intent to form joint ventures in the Soviet Union.

The companies are Monsanto Co., which is to be a partner in a herbicide plant in Alga, in the republic of Kazakhstan; Occidental Petroleum Corp., which is to cooperate in working oil fields in the Volga region; and Singer Co., which is to join in production of sewing machines at a plant in the city of Orsha in the Byelorussian republic.

Western analysts have said that joint ventures, permitting foreigners a share of the equity and a

Kohl Charge Stirs Debate In Campaign

BONN — An allegation by the West German chancellor, Helmut Kohl, that East Germany is holding political prisoners in concentration camps drew domestic charges of a Nazi smear and an official rebuttal from East Berlin on Monday.

Mr. Kohl made the claim at a rally of his Christian Democratic Union in Dortmund on Sunday night in a speech starting the final phase of his campaign for the Jan. 15 general elections. Polls indicate that Mr. Kohl will win a solid majority in the election.

"We must never forget," Mr. Kohl said, "that the political regime is holding 2,000 of our fellow countrymen over there in East Germany as political prisoners in prisons and concentration camps."

The liberal Free Democratic Party, which with the Christian Social Union of Bavaria constitute the other two members of the governing coalition, urged Mr. Kohl to withdraw the reference to concentration camps.

"We have no reason to stay silent when human rights are violated in East Germany, but comparisons with the Nazi era are inappropriate," the Free Democrats' parliamentary leader, Uwe Rommberg, told the newspaper Bild.

The opposition Social Democrats and Greens parties said Mr. Kohl's remark was designed to win votes from rightists by setting East Germany's Communist leaders on a level with Nazis. They said the remark would strain ties with East Berlin and Moscow.

"A West German chancellor should never forget that gas ovens burned in many concentration camps," said the Social Democrats' campaign manager, Peter Glotz.

East Germany's Foreign Ministry denied Mr. Kohl's claim, saying the country has "no concentration camps in which one could hold political prisoners" and that the only West Germans in its prisons had been convicted of espionage.

East Germany lodged a formal protest in Bonn two months ago after previous attacks by Mr. Kohl on East Germany's human rights record, including the jailing of East Germans for trying to flee to the West.

Moscow has also virtually frozen high-level contacts since Mr. Kohl compared the Soviet leader, Mikhail S. Gorbachev, with the Nazi propaganda chief, Joseph Goebbels, in an interview with Newsweek in October.

The Social Democrats have interpreted Mr. Kohl's remarks as evidence of a rightward drift in policy toward Eastern Europe.

The purported swing has also caused strains in the coalition itself, with the Free Democrats challenging demands by the Christian Social Union for an end to the policies of détente pursued by various governments since the 1970s.



Ambassador Edward J. Perkins talking to a woman in the Katlehong quarter camp.

3 More Blacks Are Killed in South Africa

JOHANNESBURG — The wife of a black education official died in a hand grenade attack as political violence claimed three more lives in South Africa's black townships, the government said Monday.

Also on Monday, the U.S. ambassador to South Africa, Edward J. Perkins, toured several black townships and met community leaders but avoided government-backed representatives.

The Bureau for Information said that Sylvia Ntshangase, 29, was killed and her husband, a school inspector in the Zulu tribal homeland of KwaZulu, was injured when a grenade was thrown into their bedroom in Umhlati township near Durban on Sunday night.

A 7-year-old black girl was shot to death by mistake when a member of the security forces

CHINA: Bonn Rejected Sale of Planes to Iran

By John Tagliabue
New York Times Service

BONN — The West German government said Monday that it rejected a request last year by the aerospace company Messerschmitt-Bölkow-Blohm GmbH to sell \$1 billion worth of transport aircraft to Tehran.

A spokesman for the Economics Ministry said the company had been told that the deal could not be approved at least until the Iran-Iraq war ended. Sepp Hort, chief executive of the company, said in a newspaper interview published over the weekend that the company "was encouraged" by the government "to go to Tehran."

Mr. Hort told the Bild am Sonntag newspaper that the sale went on for 18 months. He denied that the aircraft, built jointly by West German and French companies, were designed for military use.

The Economics Ministry spokesman, Volker Franzen, said company officials acquired "at a low level" about the possibility of delivering the aircraft, 12 Transall C-130 transport planes that he described as "nonmilitary."

But Western diplomats said there were signs appearing in the Chinese press that indicated that Mr. Deng and his colleagues are pressing ahead with economic and even political reforms despite the harsh line taken by conservatives.

One such sign, a diplomat said, was a report on a Communist Party Central Committee directive calling for the demotion or dismissal of unqualified party cadres on a nationwide scale, something that apparently has already happened on a selective, local basis.

Another sign, a diplomat said, is an article appearing in the People's Daily, the leading Communist Party newspaper, which argues that socialism is superior to capitalism. The article written by Bao Tong, the senior official in Mr. Zhao's office, clearly seems to be addressed to students who, in the government's view, are wrongly attracted to Western concepts of democracy.

TRUCE: Manila, Rebels Remain 'Poles Apart' on Talks

(Continued from Page 1)

cessful negotiations that achieved the present 60-day cease-fire. His remarks came after a weekend of escalating rhetoric from both sides. The government called a key rebel demand for power-sharing "unjust, unfounded and illogical" and the rebels labeled the government counterproposals "inadequate, piecemeal and palliative."

Since the talks began last month, following the enactment of the cease-fire on Dec. 10, most observers have been speculating as to when — not whether — the talks would break down entirely.

Communist leaders, government officials, diplomatic observers and other analysts have all voiced a shared skepticism that peace talks could ever achieve a negotiated peace. The rebels have stated publicly that they have no intention of laying down their arms and their agenda for discussions consists of

dismantling American military bases and sharing power with the Aquino government — two points Mrs. Aquino has rejected already.

The rebels also are demanding that the government bring "they in" industries and businesses under Filipino ownership, repudiate "unjust" foreign loans, and release Rodolfo Salas, the imprisoned leader of the Communist Party of the Philippines. The rebels say he is a key member of their negotiating panel and thus immune from arrest.

The government team responded by proposing that the talks, scheduled to resume Tuesday, be limited to just two issues: land reform and industrialization. The remaining issues, the government said, should only be discussed within the framework of the draft constitution that is scheduled for a public vote Feb. 2.

If approved, the constitution essentially would preclude most of the rebels' demands. But rebels already have criticized that charter as "anti-people and pro-imperialist," and military sources said they have information that rebel guerrilla units are intimidating people in some provinces to vote against the constitution.

Mr. Zamel said Monday he held "very cordial" talks with Representative Stephen J. Solari, Democrat of New York, The Associated Press reported from Manila.

Chirac Refuses to Yield In French Rail Strike

PARIS — Prime Minister Jacques Chirac, faced with a damaging rail strike and threats of wider unrest in the public sector, rejected pay concessions Monday evening, angering his conservative government's anti-inflation policy.

Mr. Chirac, issuing his first public statement Monday on the 19-day strike by train engineers that has crippled the French rail network, said:

"It is not the intention of the government to take risks through a loss of control over wages that would start in this or that public sector company and then spread to the whole of the public sector and the private sector."

President François Mitterrand, in comments that surprised some political observers, said Monday: "Social unity depends on the fight against inflation."

Mr. Mitterrand had been viewed as sympathizing with workers' demands, particularly after he received strikers at his country residence on New Year's Day.

Mr. Chirac's comments followed a call by the Communist-led General Confederation of Labor for industrial action throughout the public sector.

The Communist-led union and another, the Democratic Confederation of Labor, began strikes Monday in the Paris transit systems.

Disruption of traffic was not serious, but other workers were expected to join the protest Tuesday. Unions at state-owned gas and electricity utilities also are to strike Tuesday.

French dock workers, almost all

LOBBY: Spies, Defections

(Continued from Page 1)

coverage and that of the news gatherers to discover something — anything — more candid from the government than the usual press statements.

Most important, too, is the reporter's wariness that competitors not be seen to be getting one jot more of "inside" information, however obvious or tame it might be.

In Washington, there is no comparable daily practice of high government briefings in which government officials are able to leave no fingerprints. There are varying levels of trust, credibility and symbiosis involved but usually if a government official is the source of a contentious statement, this is indicated at least generally.

Government secrecy is part of the issue that brought on the latest controversy of attribution by The Guardian and by The Independent, a new journal that boycotts the briefings. There has been a running controversy in which the Thatcher government is trying to prevent the publication in Australia of memoirs about the inside workings of MI5, the British intelligence agency.

Opposition critics in Parliament have been frustrated that the principle of official secrecy is regularly invoked as a reason for not obtaining complete information on the affair. At the same time they were outraged to discover, in The Guardian and The Independent, that an aide to Mr. Ingham, speaking from the presumed safety of the day's lower briefing, discussed the affair there but mainly to offer blindly sourced attacks on the opposition leaders.

"Lobby briefings are a symptom of Britain's secretive style of government," The Economist later said, condemning the practice even as it informed readers that its reporters had best remain in the lobby, hope for reform and obey the nonattribution rule.

SOVIET: Tax Breaks Will Be Offered to U.S. Firms

(Continued from Page 1)

government expects such ventures to operate.

The Soviet government is to publish a new law this month that will, for the first time, authorize foreign companies to hold equity in Soviet industrial facilities, and will spell out how the companies will be taxed.

Mr. Kialenko said the new law would be broadly worded and that other details, such as labor-management relations, prices of Soviet labor and raw materials and financing, would be worked out in individual contracts governing each joint venture.

Western and Soviet officials said three American companies had signed letters of intent to form joint ventures in the Soviet Union.

The companies are Monsanto Co., which is to be a partner in a herbicide plant in Alga, in the republic of Kazakhstan; Occidental Petroleum Corp., which is to cooperate in working oil fields in the Volga region; and Singer Co., which is to join in production of sewing machines at a plant in the city of Orsha in the Byelorussian republic.

Western analysts have said that joint ventures, permitting foreigners a share of the equity and a

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Reagan Asks Approval of \$1 Trillion Budget Plan

By Tom Kenworthy
Washington Post Service

WASHINGTON — President Ronald Reagan sent Congress on Monday a \$1.024 trillion budget for fiscal 1988.

Congressional critics said they would rewrite the proposal, which they said would unfairly place the burden of deficit reduction on those least able to afford it.

Mr. Reagan's budget, his seventh since taking office and the first in U.S. history to pass the trillion-dollar mark, resembled his previous blueprints in proposing no new taxes, broad and deep reductions in domestic programs, and increases in spending on defense and foreign aid.

It again targeted for elimination dozens of programs that have previously been rescinded by Congress.

However, in what appeared to be a tacit concession to the growing tendency of Congress to restructure his budgets, Mr. Reagan proposed a far more modest increase in defense spending for the fiscal year that begins Oct. 1 than has been his practice.

The budget asks Congress to approve defense spending authority of \$31.2 billion, \$3 billion below what was requested last year, when Congress cut nearly \$30 billion from the administration request.

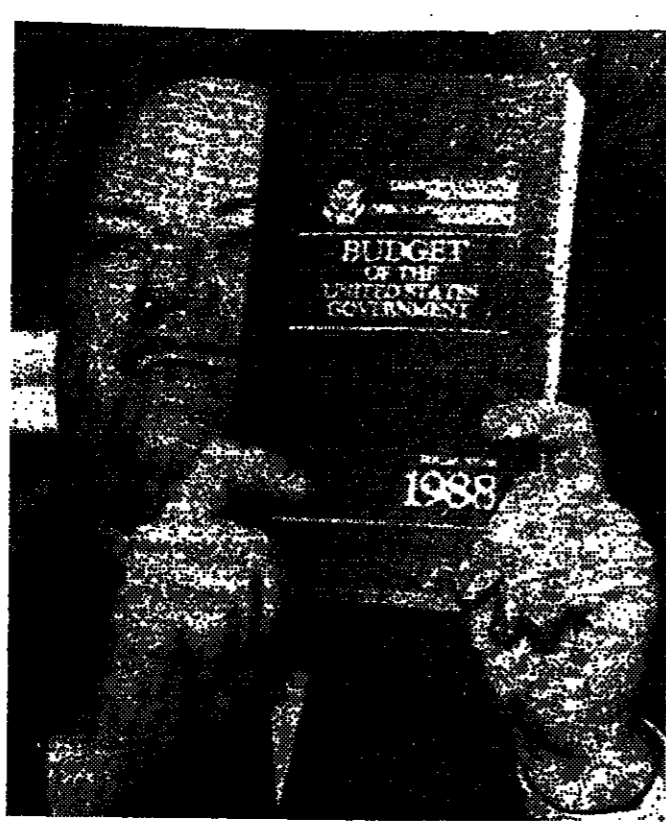
Leaders in Congress, who convene their 100th session Tuesday under full Democratic control, promised to begin reviewing Mr. Reagan's budget immediately and called on the Republican president to meet with them in an effort to resolve their differences on the budget and revenues.

Senator Robert Byrd of West Virginia, the new leader of the Senate's Democratic majority, said he had problems with the budget, contending that it would slash education aid 25 percent over the next five years while allowing defense spending to grow \$20 billion a year.

Mr. Byrd raised the possibility Monday of a meeting between the White House and congressional officials to seek a compromise.

The military budget is expected to face some of the harshest scrutiny during the budget debates. The speaker of the House, Jim Wright, Democrat of Texas, said it would be "trimmed very substantially."

Mr. Wright said in a television interview Sunday that "you just can't go on indefinitely doubling the cost of military spending in five



James C. Miller 3d, the White House budget director.

short years and reducing the revenues that come into the government" through taxes, and still balance the budget.

The administration's estimate of the fiscal 1988 budget deficit of \$150 billion before reductions are taken into account was called into question on Capitol Hill, where the Congressional Budget Office last week estimated the deficit would total \$169 billion.

Without asking for a general tax increase, the president's budget met the \$108 billion deficit target set by the balanced budget law that calls for ending federal deficits by 1991. To meet the target, the administration proposed \$42.4 billion in program cuts and revenue changes.

Continuing a pattern set last year, the deficit reduction effort relied heavily on the disposition of federal assets, including the sales of government loans and such politically popular properties as Amtrak's northeast rail corridor, and the imposition of fees for previously free government services.

The budget also proposes major funding reductions in health programs, farm subsidies, student loans and housing programs.

Treasury Secretary James A. Baker 3rd, speaking at a morning briefing, contended that Mr. Reagan's budget is not a "carbon copy" of past efforts and that it "shows that eliminating the deficit is possible without raising taxes, without sacrificing our defense preparedness and without cutting into the safety net for the poor and elderly."

In a political shot across the bow of the 100th Congress, where there is substantial sentiment already for relaxing the Gramm-Rudman-Hollings deficit targets, Mr. Baker said that "government had made a bargain with the people when we passed Gramm-Rudman-Hollings; we are keeping that bargain."

"Last year our budget quashed the fire-breathing part of the deficit dragon," said James C. Miller 3d, director of the Office of Management and Budget.

"This year we are going to throw a net over it and get it under control," he added. "I'm kind of tired of hearing statements that the budget is dead on arrival. The budget can be dead on arrival only if somebody on Capitol Hill kills it. It was sure alive when it left my office."

Shultz Seeks Supplement
Secretary of State George P. Shultz asked Monday for \$1.1 billion in additional foreign aid this year to make up for cuts made by Congress. Reuters reported from Washington.

He also proposed what he called a tough 1988 foreign aid budget request of \$15.2 billion, nearly \$2 billion more than the amount voted by Congress for this year. Both requests are expected to get a cool reception in Congress.

The request for additional 1987 funds included \$207 million for military aid to Spain, with which the United States is negotiating a new agreement on military bases, and \$172 million for El Salvador, most of it for relief aid because of October's earthquake.

White House Is in Eclipse at Dawn of 100th Congress

By Linda Greenhouse
New York Times Service

WASHINGTON — The opening of the 100th Congress Tuesday brings an end to an extraordinary interregnum.

In only 11 weeks since the 99th Congress adjourned, the U.S. political world has been transformed. The November elections and the

NEWS ANALYSIS

Iran-contra arms affair overturned many of the realities and assumptions of the past six years.

Throughout those years, President Ronald Reagan's immense popularity and credibility made the White House the government's undisputed center of gravity. The president's agenda was the national agenda. He did not win every battle with Congress, but his priorities established the framework for the debate.

But now, the administration is on the defensive. Mr. Reagan's standing in the polls has plunged; both houses of Congress are in Democratic hands for the first time since the Reagan era began; and Congress is about to place the administration's most glaring failure under a microscope. Suddenly, the center of gravity has shifted to Capitol Hill.

This unanticipated development brings responsibility and risk. With new leaders in both houses, and with the next presidential election cycle already under way, this congressional session promises to be a time of intense personal and institutional testing.

The investigations of the Iran-contra affair by two select committees, with all the resonances of Watergate that the very words summon up, will dominate the atmosphere for the foreseeable future.



'American people have given the Democratic Party two years to answer one question: Can the Democrats govern the nation in the post-Reagan era?'

— Robert C. Byrd, Democratic Leader

The committees — 11 senators, most of them quite senior, and 15 House members, a flammable mixture of Democratic committee chairmen and scrappy young conservative Republicans — were born in a bipartisan glow of professed determination to get at the truth, but the bipartisan spirit may eventually wear thin.

If so, Congress could easily squander the unusual degree of public support and confidence with which it is entering the new year. Polls usually place Congress far down on the list of institutions trusted by the public. But a New York Times-CBS News Poll Nov. 30 indicated that, by more than 2-1, the public trusted Congress rather

than Mr. Reagan to "make the right decisions on foreign policy."

The dominance of the Iran investigations will give congressional leaders still another challenge. Time and energy must be found for legislative accomplishments that go beyond reconstructing the errors of the past. Democrats are keenly aware that there will be no one to blame but themselves if the party enters 1988 without a solid record of achievements in Congress.

Senator Robert C. Byrd of West Virginia, who is about to resume the post of majority leader that he lost six years ago, told a group of national Democratic leaders last month:

"The American people have given

the Democratic Party two years to answer one question: Can the Democrats govern the nation in the post-Reagan era?"

Some of the problems facing the new Congress are depressingly familiar.

Chief among them is the budget deficit. Under the timetable of the 1985 budget-balancing law, the deficit, now more than \$170 billion, is supposed to shrink to \$108 billion. Many lawmakers doubt the target can be met. The budget Mr. Reagan submitted meets the target by relying on assumptions and policy choices that Congress has been rejecting for years.

A Supreme Court decision last summer removed the budget measure's enforcement mechanism, in effect leaving Congress free to walk away from the law. Despite its political risks, that course may find growing favor if Congress can agree on another, less rigid approach to budget-cutting.

There is widespread dissatisfaction in both houses with the pace on arms control, and some form of arms control legislation is a strong possibility. A bipartisan coalition in the Senate is pushing for legislation to restore U.S. compliance with the unratified 1979 arms treaty.

These are among the other issues likely to come before the new Congress are the following:

Trade. The incoming speaker of the House, Jim Wright of Texas, said Friday that developing a trade policy was "the first imperative" of the new Congress. He will reintroduce this week, as a framework for further discussion, a comprehensive trade bill that passed the House in May but never reached the Senate floor after the president threatened to veto the measure as protectionist. The Senate will also hold early hearings on trade policy.

Taxes. A bill making "technical corrections" to repair acknowledged flaws in the new tax law failed in the final days of the last session, and will probably be re-introduced. However, the final proposal contained more than 300 separate items, a number of them more than cosmetic, and some members are afraid that the bill could become a vehicle for making substantial tax changes. Many lawmakers believe that new tax revenue is the only solution to the budget problem. But Mr. Reagan's opposition makes it extremely difficult for the Democrats to take the lead.

Banking and securities. Review of the structure of the banking system, including the weakened condition of the Federal Savings and Loan Insurance Corp., is listed as a top priority by members of both houses. In addition, there is some sentiment for legislation to restrict corporate takeovers in light of last year's insider trading scandals.

Transportation. A deadlock over whether to repeal the national speed limit of 55 mph (90 kph) blocked passage of a major highway bill last year. The effort will begin again when Representative Wright reintroduces the bill in the House this week.

The earliest ideological test for the new Congress may come in February, when a \$40-million aid payment to the rebels fighting the Nicaraguan government will go forward unless both houses vote to block it. The margin of support for aid to the contras was narrow in both houses last year, and an effort to cut off the final installment will almost certainly be made.

But any vote would be subject to a presidential veto, and even if opponents of aid now command a majority in Congress, they probably lack the two-thirds vote needed to override a veto.

Evidence of Firebomb Reported in Hotel Blaze

By Clifford D. May
New York Times Service

SAN JUAN, Puerto Rico — The fire that killed 96 people at the Dupont Plaza Hotel was started by something like a Molotov cocktail or firebomb, according to a senior federal investigator and a lawyer specializing in disaster cases.

"It was a simple device, nothing sophisticated," said the federal investigator, who insisted upon anonymity.

Genry Thornton Jr., of the firm of Acree & Thornton of Atlanta, said that a lawyer working for his firm learned from local investigators that evidence indicated that "two bombs were planted and both went off."

Mr. Thornton added that according to this evidence the bombs were "not professionally made devices, more like Molotov cocktails." He said that in the opinion of his source "it was not the intent" of the arsonist "to destroy lives or wipe out the hotel."

"He said it appeared to be a prank that went bad," Mr. Thornton said.

Investigators for the U.S. government and the commonwealth of Puerto Rico said at a news conference Sunday that the fire Wednesday was caused by arson.

Governor Rafael Hernández Colón has said that both sides in a

contract dispute between the hotel and a Teamsters union local were under investigation in connection with the fire. The union local has denied that any of its members were responsible.

The commonwealth's secretary of justice, Hector Rivera Cruz, said at the news conference that the fire's point of origin had been determined but he refused to say where it was.

He said his investigators had found "no evidence of an explosive device or bomb related to this fire."

Mr. Rivera Cruz said "a chemical substance" had been used to start the blaze, but he would not be more specific about the cause of the

most deadly hotel fire in the United States in 40 years.

Neither he nor Andrew Vita, supervisor of the National Response Team of the Bureau of Alcohol, Tobacco and Firearms, would confirm or deny whether a Molotov cocktail or other "incendiary device" might have been used.

Mr. Rivera Cruz said investigators were "trying to establish who was responsible for this crime," focusing on people "related to hotel operations."

The official finding of arson moves the investigation onto a more serious legal plane. Sources familiar with the investigation say homicide charges may be lodged against suspects.

Mr. Rivera Cruz said that, to avoid tipping off possible defendants, he would refuse to give information on any findings in the case.

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Millions of Americans Are Learning to Live on Lower Wages

By Jane Seaberry
Washington Post Service

BALTIMORE — After losing her \$14-an-hour job as an inspector at Bethlehem Steel, Rita Hamlet had to settle for \$3.75 an hour as a supermarket cashier.

When Marvin Townsend was laid off from his \$10.60-an-hour job as a laborer at Harrison-Walker Refractories, the father of two girls said the best job he could get was \$5.50 an hour placing slabs of meat on a hook and wrapping them in plastic bags.

Ms. Hamlet, 42, and Mr. Townsend, 40, are examples of a phenomenon occurring in the American workplace as the economic pressures of global competition hit manufacturing industries in the United States. Millions of semiskilled workers are feeling the effects of layoffs, plant closings and wage concessions forced by competition and are facing an end to their middle-class way of life.

Many of them were the first in their families to become middle-income wage earners through high-paying manufacturing jobs. Now, with low skills but high expectations, they are trying to make ends meet with wages that are sometimes less than half of what they once earned.

Analysts are debating whether workers like Ms. Hamlet and Mr. Townsend illustrate that the American standard of living is declining, and, if so, what can be done about it in the face of the corporate need to cut high labor costs to become competitive.

Of the eight million jobs created between 1979 and 1984, nearly three-fifths of them pay less than \$7,000 a year — in dollars adjusted to levels in 1984 — compared with fewer than one-fifth in the previous six years, according to a recent study commissioned by the Congressional Joint Economic Committee.

The study said that white men, who

traditionally have been the highest paid American workers, have become the biggest losers in the change in wages. The study said 97 percent of the new jobs filled by white men in the early 1980s paid less than \$7,000 a year.

Black men's wages, which increased sharply during the 1970s, also have declined. Gains in high wage areas for them during the 1970s have all but disappeared. The wage gains of black women also have declined.

Government statistics show that an unusually large number of people are working part time because full-time work is unavailable, and they probably are receiving lower wages and few benefits. But economists disagree on whether overall wages are declining, and, if they are, to what degree.

"There is a slow drift toward industries that on average pay lower wages," said

Marvin Koster, an economist. "It's very small, but it's there."

But economists do not agree that the job and pay situation is deteriorating. A recent study by the Committee for Economic Development, a group of business people and educators, said that evidence suggested a trend toward higher earnings and that, between 1973 and 1982, slightly more than half of the jobs created were professional and managerial.

The study said that between 1984 and 1995, 16 million new jobs would be created. Much of the growth would be concentrated in executive, administrative and managerial, professional and technical fields, which have the highest proportion of college-educated workers or specialists with post-secondary training.

However, the committee also said it was unclear what the net effect of job changes would be.

"As we have seen, some of the changes

point to gains, others to losses," the report said. "The evidence, although mixed, clearly indicates the continuing generation of new employment opportunity."

The committee's study said displaced workers had found jobs fairly quickly and "about 45 percent of them were earning as much or more in these new jobs."

Nearly half of the 5.1 million displaced workers lost jobs in manufacturing, the study said. Those most affected were in steel, auto and nonmetallic machinery and had worked in factory floor jobs as operators, fabricators and laborers.

Nearly 29 percent of blue collar workers, compared with 24.4 percent of white-collar workers, lost 25 percent or more of their full-time weekly earnings. About 10 percent, compared with 7.4 percent of white-collar workers, had full-time losses of 50 percent or more.

CAMPAIGN: '88 Presidential Race Is Likely to Be Wide Open and Intense

(Continued from Page 1)

Hart's \$2.4 million 1984 debt by next fall.

In 1984, the fissures that Mr. Hart's candidacy created within the party were generational and stylistic rather than ideological. In 1988, it is conceivable that there will be no major fissures of any kind within the party.

Mr. Hart has three principal competitors at the moment: Mr. Biden, Representative Richard A. Gephardt of Missouri, and the outgoing governor of Arizona, Bruce Babbitt. All three are of Mr. Hart's generation, and all will try to present a more attractive, more articulate, more credible version of the basic candidacy Mr. Hart offered in 1984.

Like Mr. Hart, they are all expected to emphasize economic growth, arms control, military reform and international competitiveness.

The Reverend Jesse L. Jackson is expected to launch another bid for the Democratic nomination in 1988. And although some black leaders have begun to advise him against it (just as many did in 1984), there is no evidence that his base among black voters has diminished. The question is whether he can expand beyond that.

At a time when almost all Democrats subscribe to the proposition that the party must have a nominee who can carry the South, it seems less and less likely that there will be a Southerner in the race. Charles S. Robb, a former Virginia governor, despite gaining visibility and admirers for his role as chairman of the Democratic Leadership Council, has been telling everyone he does not want to run for president, and people are starting to believe him.

Senator Sam Nunn of Georgia

says he is not inclined to run but will give the matter thought in the next month or so. The betting is that Mr. Nunn's chairmanship of the Senate Arms Services Committee and his place on the select panel investigating the Iran-contra affair will keep him preoccupied in Washington.

Senator Dale Bumpers of Arkansas also is giving the matter thought, but he has been to the water's edge before, and pulled back before.

Messiahism, in Massachusetts, an unauthorized presidential mailing has gone out on behalf of Governor Michael S. Dukakis. He is expected to decide by March whether to run.

Republicans

George Bush's presidential fortunes probably will rise or fall depending on how the Reagan administration comes out of the Iran arms affair.

His short-term damage is chiseled by a nationwide poll conducted last month by the Roper Organization, which shows he leads the Senate majority leader, Bob Dole of Kansas, among Republicans by 29 percent to 20 percent. The margin shrinks to 5 percentage points when independents are added. This past summer, Mr. Bush had led Mr. Dole by more than 30 points in other nationwide polls.

The question for Mr. Dole is whether he can take advantage of a moment of opportunity. His high

visibility during the weeks of the crisis has served him well, and he has assembled a well-regarded political operation headed by Donald Devine, former director of the Office of Personnel Management.

Mr. Dole's state-by-state network is much thinner. As he travels extensively in the coming months on the Republican fund-raising circuit, he will work to build it up.

While Mr. Dole has moved up in the polls, a second principal challenger, Representative Jack Kemp of New York, has stayed flat. His response to the Iran-contra affair has been to write rally-round-the-president articles for several publications. While they may score him points down the road with the Reagan faithful, the articles have given him no detectable immediate boost.

The only declared presidential candidate, former Governor Pierre S. (Pete) du Pont 4th of Delaware, is hoping to grab attention with one proposal to get the government out of the farm-subsidy business and another to transform Social Security into a system built around savings accounts similar to individual retirement accounts, or IRAs.

The rest of the field is unsettled.

The television evangelist Pat Robertson is expected to announce this year, but his candidacy seems aimed less at winning than at changing the issues and drawing fundamentalists into the political process.

Senator Paul Laxalt of Nevada, who is retiring, is considered less likely now than he had been a few months ago to try for the presidency. Mr. Reagan's sudden problems and the failure of the Republicans to hold onto his Senate seat have dampened his prospects.

On the other hand, the former Senate majority leader, Howard H. Baker, who many had thought to be wavering about a second bid for the presidency, finds his prospects improved by the current administration crisis. Mr. Baker made his national reputation by his skillful handling of the Senate inquiry into the Watergate affair.

Two former cabinet members — Alexander M. Haig Jr., who once was Mr. Reagan's secretary of state, and Donald Rumsfeld, who was President Gerald R. Ford's secretary of defense — have been mapping plans to run in 1988. Both are considered long shots.



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INTERNATIONAL **Herald Tribune**

Japan Ought to Help

The economic battle lines between Japan and its political allies are distressingly familiar. It would be no small matter if links slowly forged between erstwhile enemies were to weaken, or even if the forging process were to flag, but the danger exists. Like so many political dangers, it has a hard core of economic dispute. The United States and Europe, and not a few of Japan's Asian neighbors, condemn it for long following economic strategies that are simultaneously aggressive and defensive. An undervalued yen and too tight a hold on spending at home have produced an economy that is excessively export-oriented. And governments have done too little to counteract a disinclination to buy goods from abroad. Japan's exchange rate weapon has now largely been jettisoned, and some steps have been taken to make it less hard for foreigners to sell in Japan. All the same, most forecasts of Japan's export surplus see it falling little this year from last year's enormous \$80 billion. What then should be made of Japan's latest and much publicized decision to abandon the limits previously imposed on defense spending and to step up aid to the developing world? Neither decision was politically easy, and both are consistent with a more outward-looking Japan. Nevertheless, the progress seems slight. Since World War II, Japan's defense spending has been extremely low, for national and international reasons. This past decade it has been limited to 1 percent of GNP, a far lower drain on resources than in America or Europe. Some believe that if Japan spent more on de-

Not Much Time Left

In the foreign trade accounts, 1986 ended badly for the United States. On Dec. 31 the government published the export and import figures for November, showing another ominously large deficit. When the markets reopened on Friday, the dollar's exchange rate dropped again. A single day's decline does not mean much, but it is another little reminder of the automatic mechanism that eventually enforces balance on even the largest and richest of spendthrifts. The real number for the November deficit will not ultimately turn out to be quite as spectacularly bad as the \$19.2 billion that the Commerce Department reported — the largest monthly trade deficit in the history of this or any other country. You need to be aware that the Customs Service and the Census Bureau handle the export-import tallies in batches, with little regard to the actual time of shipment. The \$19.2 billion figure includes some \$8 billion of carryover from previous months, and there are many billions of dollars' worth of November sales and deliveries that will not be counted until this year. Because of the rattling effect that these distorted statistics are having on financial markets, the Commerce and Treasury departments have an obligation to get their obsolete reporting system out of the 19th century and into a computer. The reality, after all, is bad enough. While the deficit is not rising as fast as that

Some Always Go Back

The Dec. 30 exodus of 50 Soviet immigrants who changed their minds about living in America produced a little stir. Why were people who no doubt had a tough time coming to America going back, presumably voluntarily, to the Soviet Union? By most accounts, these decisions do not reflect a choice between political or economic systems. That the Soviet Union and the United States are the countries involved in this traffic is not the central aspect. It is the universality of the human emotions at play. Most immigrants come to America to make a better life. In part this means political and religious freedom. It also means more opportunity for themselves and their children. But there can be a downside to leaving home, friends and the security of the familiar. Not many turn around and go back, but some do. They return not only to the Soviet bloc but to Greece and Italy, Britain and Israel, Mexico and Norway.

Other Comment

Thermonuclear Morality

In a world where it is deemed permissible for rulers to envisage their countries' tries by the use of thermonuclear weapons which could destroy the whole human race, lesser actions, however immoral, most logically be relatively harmless. For Congress, and the American public, to approve of President Reagan's defense policy and then grow morally indignant about the Iran shepherds is a case of straining at the gnat after swallowing the elephant. America's allies also feel shocked when a president has recourse to dirty tricks, and worse, as in Nicaragua. Such shock is amorphous. It is also highly dangerous. Moralists rightly dwell on the absolute importance of avoiding thermonuclear war. The best way to achieve that end is for both

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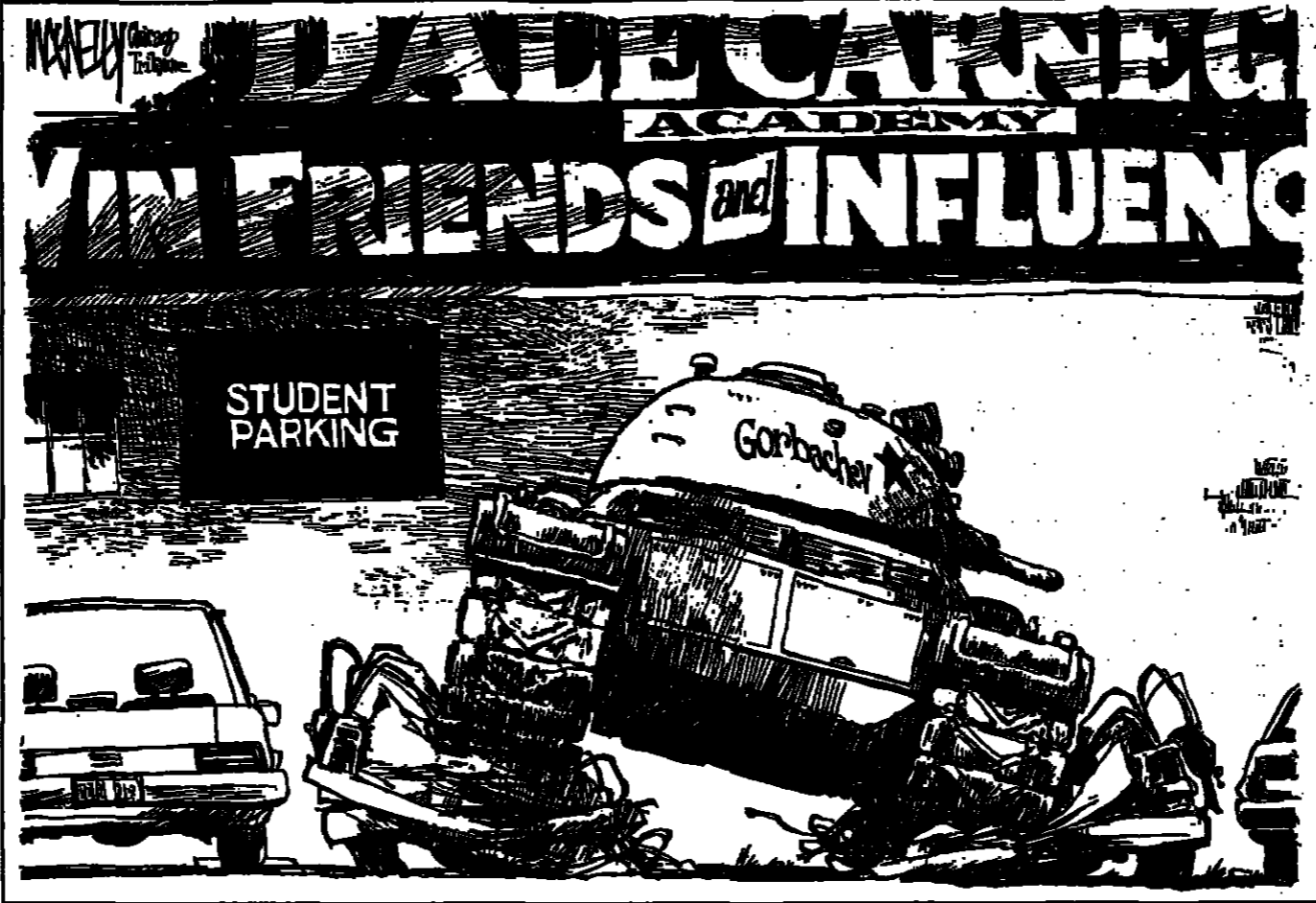
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Talk of Communism's Collapse Is Nonsense

By Norman Podhoretz

NEW YORK — The idea that communism is a spent force first began circulating a few years ago as a way of saying that America no longer had anything to fear from Soviet expansion and that it could therefore safely cut back on defense spending. Now the same idea is also being used by a number of commentators (some of whom should know better, and once did) as an argument for abandoning the Nicaraguan contras and most of the other people who, as President Ronald Reagan puts it, "are risking their lives on every continent . . . to defy Soviet-sponsored aggression."

As applied to the Soviets, this tendency nowadays mainly takes the form of always blaming their aggressive behavior on American provocation or of denying that they have any expansionist intentions at all. As applied to the Third World, it takes a somewhat more complicated form whose contours are vividly exemplified by a famous speech made in 1982 by the writer Susan Sontag.

Although never a Communist and always an opponent of Stalinism in Europe, Miss Sontag has been an enthusiastic admirer of other communist regimes, especially in Cuba and North Vietnam. Now, she confessed, she could see the error of trying to distinguish "among communisms." At last she had come to recognize "the utter villainy of the communist system" everywhere.

Did she then conclude that her sympathies properly belonged to the contras in Nicaragua and the government in El Salvador, both of whom were at that very moment in war with this "utter villainy"? Not on your life. About the contras she said nothing. To the communist-dominated rebels in El Salvador she later offered her "passionate support" in their "struggle to overthrow the tyranny backed by the American government."

Can the U.S.S.R. Alone Be Unchanging?

By Ronald Tierney

PARIS — Andrei Sakharov's release is heartening. Combined with other positive Gorbachev initiatives, it raises hard questions. The time has come to discuss words and concepts for a new debate — or at least for a new round of the old debate — about the possibility of communism's political development.

Is the Soviet system engaged in significant reform? When Mr. Sakharov's release provoked worried reactions, a French editorialist, Jean Daniel, recalled the observation of the late Raymond Aron that there is no reason "why the Soviet Union, alone, can eternally escape the dynamics of evolution."

After all, Soviet-style communism has been proved to be a historical dead end as a political and economic system. It should not come as a surprise if leaders seem finally to be admitting this to themselves and acting on the consequences.

When Comrades Get Religion, Empire Is in Trouble

By Alex Alexiev

This is the second of two articles.

SANTA MONICA, California — No less troublesome for Moscow than the Islamic revival itself is growing evidence of a live-and-let-live attitude, perhaps even collusion, between Muslims in government and the people. In many cases the party is not only failing to neutralize Islam, Islam may be co-opting the party.

Such concerns were publicly raised at the party congresses of the Central Asian republics earlier this year. In speech after speech, party luminaries lambasted local officials for neglecting atheist indoctrination and for having "allied themselves with Islam." Officials were accused of "hypocritical attitudes," including having tolerated underground Islamic organizations, production of illegal religious items in state enterprises and construction of facilities for Muslim pilgrims at local "holy places."

But then, Mr. Gorbachev's policies in Central Asia — even before Alma-Ata and contrary to his benign image in the West — have been heavy-handed. They have surely contributed to a simmering Muslim resentment that found violent expression in the riots.

Since coming to power, Mr. Gorbachev has purged Central Asian officials on a scale not seen since Stalin. Under the slogan of struggling against corruption, regionalism and nepotism, more than half of all Central Committee members were dismissed in early 1986 in all republics.

At a plenum session in October in Uzbekistan, party cadres were accused of having "traded a compromise with religion."

Islam's inroads among indigenous Communists were confirmed at the highest level when Mikhail Gorbachev told a Tashkent audience: "We must be strict about all with Communists and senior officials, particularly those who say they defend our morality and ideals but in fact help promote backward views and themselves take part in religious ceremonies."

In this light, Dimnikhamed Kunayev's ouster in Alma-Ata gains special significance. Mr. Gorbachev evidently could not find a trusted local native and had to bring in a Russian functionary with no Kazakh experience. This heavy-handed approach has both damaged the carefully cul-

ivated appearance of native control of local affairs and indicated the Kremlin's deep uneasiness.

Gorbachev: Here Comes Asia's Year

By Jim Hoagland

PARIS — The West can no longer doubt Mikhail Gorbachev's intention to change things, nor question his ability to put his own stamp on policy. In the Soviet system, a leader still struggling to establish himself would scarcely have made the decisions he has made in recent days. The most obvious one involved Mr. Gorbachev becoming personally and publicly involved in rehabilitating Andrei Sakharov. More discreet but also important was overseeing from behind the scenes the call by Afghanistan's Soviet-installed government for a cease-fire.

The cease-fire proposal is seriously flawed. But it should not be considered in isolation. Rather, it should be seen as part of what could become Mr. Gorbachev's most important foreign policy campaign of the year. The cease-fire proposal signals that he intends to lower regional tensions in Asia in 1987 as he intensifies the diplomatic initiative toward the Pacific that he launched in Vladivostok last July. It in effect establishes the high-water mark of the Soviet military assault on Afghanistan.

As now appears likely, Soviet-U.S. relations remain stuck at the level of arguing about what actually happened at Reykjavik and what to do about it. Mr. Gorbachev is likely to make this his own "Year of Asia." Already he is prodding Vietnam to be more flexible on Cambodian peace terms (largely as a lure to China to improve Chinese-Soviet relations) and is searching for ways to upgrade economic ties with Japan and other Pacific rim countries.

It is not only the preoccupation in Washington with the Iran-contra scandal that gives Mr. Gorbachev more of a clear field than seemed possible just a few months ago. This is certain to be a year of unusual political ferment throughout Asia, with events in different countries echoing and ricocheting off each other. In such a year, the kind of clearly defined long-term Asia policy that Mr. Gorbachev and his team seem to be fashioning could make significant gains for Moscow, particularly if America lets protesters respond to trade problems because of overriding items on its Asia agenda.

China's leaders have made clear that they do not expect the Soviets to yield enough on Afghanistan and Cambodia to bring about a rapprochement between the two antagonistic Communist powers. But Moscow does seem to be taking more to heart Beijing's prescription that the road to improved relations passes through Kabul and Phnom Penh.

It is also just possible that the Russians may have understood that their brutal attacks on the Afghan countryside were producing more support for the Afghan guerrilla movements, and that they have reached the limits of military action there.

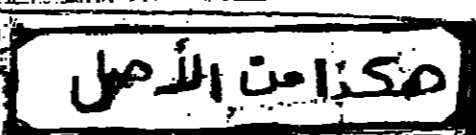
IN OUR PAGES, 75 AND 50 YEARS AGO

1912: The Race Is On

NEW YORK — President Taft's declaration (on Jan. 3) that nothing but death can keep him out of the race for the Republican nomination has widened the gap between him and his opponents, placing him in a distinctly stronger position. Governor Woodrow Wilson, of New Jersey, at the opening of the National Democratic Club here, charged that the Republican party is responsible for the high prices of food. Governor Judson Harmon, of Ohio, has opened Presidential headquarters here in an effort to break the hold of Governor Wilson, his rival for the Democratic nomination, in the eastern section of the country. Friends of Theodore Roosevelt say he has assured them that they can organize a Presidential boom in his behalf, but need not expect a positive declaration from him.

1937: A 'Path' for Japan

TOKYO — In a broadcast (on Jan. 5) designed to give the people a better understanding of the German-Japanese agreement for coexisting Communism, Foreign Minister Hachiro Arita said that "those who believe that Japan is showing Fascist tendencies are not well informed. The fact that the treaty was concluded with the Nazi government, rather than a non-Fascist power, is a matter of no concern to Japan." He concluded: "Japan will soon be unable to advance in any direction without leaving her way through the wilderness. Hence she must be constantly prepared to cope with the various obstacles in her path. As this is the way of progress, let us set out on it with courage and push ahead at all costs." He re-emphasized Japan's policy of friendship with all nations.



OPINION

A U.S. President Is Public, Defective Innards and All

By William Safire

WASHINGTON — Edith Bolling Wilson, for a period in 1920, was in effect the chief executive of the United States. President Wilson was incapacitated; his wife, with an aide, clamped a lid of secrecy on his condition and ran the country from his bedside. In 1944, President Franklin Roosevelt was ill. His personal physician, Admiral Ross McIntire, lied to the public about his patient's condition; the doctor helped re-elect FDR to a fourth term but dishonored the medical profession and endangered the country at Yalta. Could that happen now? In an era of nuclear missiles, the need for the president to be fully capable of making quick decisions overrides considerations of privacy in health matters. The 25th Amendment to the U.S. Constitution prevents another takeover of presidential functions by a wife or aide. When presidents undergo major operations, they make executive arrangements to turn over their constitutional authority temporarily to vice presidents. Ronald Reagan entered the hospital on Sunday after cheerfully referring to his prostate operation and colonoscopy as "a breeze — I've been there before." He was to have a spinal anesthetic and remain conscious, so no temporary transfer of power was needed. However, a related issue is best discussed now, as many medical authorities are telling reporters that the pre-operative prognosis is good. Nancy Reagan, we are told, did not want to make a "media circus" out of this week's hospital visit. The White House told the Mayo Clinic team at the start not to talk to the press. Asked if the president's doctors would hold a press conference after the prostate operation, presidential spokesman Larry Speakes said no. Who would answer the questions? "You'll have Dr. Speakes." The issue is usually posed as one of a

His Toughest Year

THE air has been going out of Ronald Reagan's balloon ever since he won his empty re-election victory. The relentless campaign he waged in 1984 left him without a policy mandate. In 1986, when Republicans still had the Senate majority, Mr. Reagan won only 56.5 percent of the congressional roll calls testing his policies. That was the lowest winning percentage for any president since Gerald Ford faced a Democratic Congress in the final year of his appointive presidency in 1976. Mr. Reagan's downhill slide might well have made him a loser more often than a winner in 1987, even if Republicans still had a Senate majority. As it is, his advisers know that this will be his toughest year on Capitol Hill. —Columnist David S. Broder.

patient's privacy vs. the public's right to know about the health of its elected officials. But that is not really the issue. A generation ago, President Eisenhower and Press Secretary James Hagerty set the precedent for medical disclosure: No essential bodily function of the chief executive is a source of embarrassment; anything that threatens his life or his ability to think or act is the public's business. Then what was bothering Mrs. Reagan about full disclosure of her husband's ailments? Not a new claim of the previous privacy that suited Edith Wilson; more, I submit, a concern for image — a desire not to allow this man, 76 next month, to appear to be an invalid. If his illnesses are minimized or concealed, goes the image makers' hope, he will be made politically stronger. That is a mistake not only because it is wrong to hide the full truth about a president (or presidential candidate) from the public, but also on a less exalted level: Nobody is going to believe "Dr. Speakes" even when he tells as much of the truth as he understands. Presidents are different from thee and me. They have more rights (to make legal what is illegal through a secret "finding") and fewer rights (to conceal for 20 years the advice of physicians that a second prostate operation would be necessary). What they gain in power they give up in personal privacy. This puts presidential doctors in a terrible bind. To whom is their first loyalty — to patient or to country? In the future, what should a physician do if asked by his presidential patient to conceal a diagnosis that might affect his power to govern? Most doctors would say that medical ethics come down on the side of the individual patient, and warn that a president worried about medical confidentiality would avoid getting needed help. I grant that this argument has weight; I grant that Mrs. Reagan's motive in restricting information is the protective-ness rooted in love and loyalty, not power or lust; and I am a privacy nut who considers drug tests and polygraph torments an abomination. But the president's body is not wholly his own; that is why the government goes to such lengths to protect it. Mr. Reagan can remain the perennial optimist, but he should direct his doctors to tell all, to bore us to distraction with charts and televised explorations of his innards. That is a sign of physical strength, moral courage and political health. Perhaps the next president should ask for a panel of doctors appointed by all three branches of government to check him out once a year, the results to be made public. The doctor-patient relationship might suffer, but the patient-voter relationship would improve. The New York Times.



By KIRSCHEN, Jerusalem Post, CSW Syndicate

A Constant Calendar, Once and for All

By John M. Calkin

NEW YORK — You can't count on our current calendar. Every year the numbered dates fall on a different day of the week. The average person has to check a calendar or a watch or ask a stranger to determine what day a particular date falls on — whether, for instance, Jan. 6 is a Tuesday or a Friday. You have to use fingers, toes and other calculators to determine how many days are in a particular month. Adults are occasionally caught reciting a bad rhyme to figure out the cycles. The problem is that the months are uneven, 28 days in one, 30 or 31 in others. We have 14 different calendar arrangements. The current calendar does not do well what a calendar should do: reckon time clearly and consistently so we can easily mark the past, locate the present and predict the future. It is time to make the year as neat and predictable as the day, to tidy up the irregular year (days, weeks, months) as Julius Caesar and Gregory XIII synchronized the external calendar year

with the solar year. It is time for a single, permanent calendar that will give us one formula, which can be learned once and used forever: the Constant Calendar. During the last 60 years, the League of Nations and the United Nations considered the adoption of a couple of calendars that attempted unsuccessfully, in my opinion, to solve the problems caused by our present calendar. Many business and accounting firms use some variation of a 52-53 week calendar to even out the year for financial reporting purposes. The Constant Calendar is designed to be user-friendly and to make life easier for you and me as well as for the certified public accountants. This simplified calendar would divide the year into four quarters, each having two 28-day months and one 35-day

month. Dates would always fall on the same day of the week. For instance, the first day of each month would always be Monday and the 28th day would always be a Sunday. All weeks would begin on Monday and the days of the weekend would be at week's end. It adds up to 364 days. The 365th day, Dec. 36, would fall between Sunday and Monday and would be called an intercalated day, a blank day or a "wween day." It could be a holiday — World Peace Day, perhaps. In leap years, the extra day would be added in a similar fashion as a holiday at the end of June. Thus, we get clean and equal quarters (3 months, 13 weeks, 91 days), a fixed match of days and dates, an easy to remember structure and a relatively simple process of adjustment. Major holidays fall into convenient patterns. New Year's Day (Jan. 1) would always be a Monday of a four-day weekend (including Dec. 36, the annual holiday). Christmas (Dec. 25) would always be a Thursday. Moreover, we eliminate forever, for those who are concerned, the prospect of Friday the 13th. Some people would be more inconvenienced than others. Calendar makers would soon realize that the public would still want a monthly change of scenery and that there would be profits to be made in producing the Constant Calendar as an art form. Astrologers would manifest their wanted flexibility in adjusting their charts to the new calendar. Movable feasts based on the moon would find their place within the new structure, as they have in the past. And the 5 percent of the population whose birthdays fell on the 29th, 30th and 31st days of the old calendar could opt under the new 28-day months for celebrating on the 28th of the month or on an early day of the next month — or both. As cultural changes go, the shift to this new calendar would be a serious but not traumatic event. The United Nations should be able to debate it and vote decisively in a dozen years or so. The perfect time to introduce the Constant Calendar would be Jan. 1, 2001 — the first day of a new year, a new century and a new millennium. That would allow time for discussion and adjustment. It is also a year in which the first day of the year is a Monday. Remembering that all dates before 2001 are stated in traditional calendar terms and that all subsequent dates are stated in the new permanent form would be easy.

The writer, executive director of the Center for Understanding Media, contributed this to The New York Times.

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LETTERS TO THE EDITOR

Ethiopians' Hunger Is Linked to Policy

In "New Famine Seen as Ethiopia Relief Fades" (Dec. 13), Scott Kraft laments the decline in forthcoming relief aid to Ethiopia and warns of another famine without bothering to mention the basic link between Ethiopia's continuing war policy in Eritrea, its chronic backwardness and the abject poverty, starvation and misery of its people. While admitting that "things have pretty much returned to normal" with "much of Ethiopia green again" and "fields thick with corn, sorghum and teff, a cereal and staple food," Mr. Kraft echoes the forecast of "high-level Ethiopian government officials, relief workers and economic analysts" that "another famine is inevitable." He goes on to say that "the easing of drought does not mean that the country will come anywhere near being able to feed itself" and that "more than two million people still face the danger of starvation." If the drought has eased, things have returned to normal, and the country is green with fields thick with cereal crops, why would another famine be inevitable? Mr. Kraft states that the Ethiopian government "is spending 21 percent of its budget this year for agriculture, slightly more than it spends on keeping Africa's largest standing army." These figures do not tally with the reality. Ethiopia spends over 50 percent of its annual budget on "defense and security" and only 10 percent on agriculture. Ethiopia's quarter-of-a-century-old war of aggression against the Eritrean people is consuming precious material, financial and human resources that could have otherwise been used to upgrade the country's average per capita income of "about 30 cents a day and falling." It is clear that Mr. Kraft's report is

lopsided, echoing official Ethiopian propaganda at the expense of the truth. AMDEMICAEL KAHSAI, Secretary, Central Bureau of Foreign Relations, Eritrean People's Liberation Front, Montreal, France. Scott Kraft's report on rehabilitation efforts in Ethiopia had as one of its main points the lack of financial and development assistance for rehabilitation and development programs in Africa. Although immediate relief efforts are not as necessary as in 1984-1985, this in no way implies that the international donor community has left the country or is not investing in long-term development programs. The World Food Program, the largest United Nations development organization, is pursuing some of its largest and most ambitious development projects in Ethiopia. For more than a decade the WFP has been engaged in large-scale efforts to reverse environmental degradation, precisely the measures urgently needed in order to avoid future famines. In a WFP project being carried out in the Ethiopian highlands, some 4 million people are involved in terracing, reforestation and other activities aimed at rehabilitating forests, grazing and agricultural land. The project is the largest of its kind in Africa. Close to \$180 million has been spent on it since 1976 and an additional \$76 million has been allocated in 1986 to allow it to run until 1990. The results, so far, are impressive — 200,000 kilometers (125,000 miles) of hillsides have been terraced, enough to build a meter-high stone wall four times around the world. The project covers 2.5 million hectares (about 6,175,000 acres), roughly the size of Belgium. A fourth of

the project area has been successfully rehabilitated. Over 45 million trees have been planted, 250,000 meters of gully check dams have been constructed and almost 100 kilometers of artificial waterways have been built to dispose of runoff. The program has also been actively involved in helping to fund the development of a dairy industry in Ethiopia. Interest in the WFP's Ethiopian projects has never been greater. Among countries and organizations now contributing to the reforestation project are Australia, West Germany, Italy, Sweden and the European Community. PAUL MITCHELL, Chief of Information, World Food Program, Rome.

In Defense of Afrikaners

Stephen G. Tripoli's letter from Beijing, "Now It's Pretoria's Turn" (Dec. 16), reflects the awesome degree to which you distort your readers about South Africa. White South Africans are in no way comparable to the relatives and cronies of Sonzozo, Maroo and Duvallier. They are people whose ancestors worked hard and took great risks to develop the country, and who now have a standard of living equivalent to that in their European countries of origin. CLAUDE LAMBERT, Paris.

The Begetting of a Date

The report "U.S. Supreme Court Confronts Teaching of 'Creation Science'" (Dec. 12) refers to "the Bible's statements that God created the world and man about 6,000 years ago." The Bible does not make that claim. The Irish bishop James Ussher (1581-1656) calculated it from genealogies listed in

the Old Testament. His idea of deducing the Earth's age from the evidence available was clever for the time. Four centuries later the evidence points toward a 4.5-billion-year-old Earth. Bishop Ussher's mistake was to assume that the lists of "begets" in the Bible were exhaustive rather than representative or symbolic. The modern-day proponents of a young Earth, like those who opposed Galileo, unfortunately, do both the Bible and science a disservice with their claims. KEITH GRIFFOEN, Utrecht, Netherlands.

Greek Comedy Dared

Writing in reference to the controversy that was aroused in Italy by a film about Aldo Moro's abduction and assassination, Peter McCabe tried to draw a parallel with ancient Greece (Letters, Dec. 16). Maintaining that "most ancient Greek dramatists did not dare use as material the well-known news of the day," he mentioned Phrynichus' "Capture of Miletus" as an example of a drama which dealt with recent historical events and incurred public wrath and censure as a result. In fact, Athenian democracy deserves more credit than Mr. McCabe's letter would indicate. While it is true that classical tragedy relied mostly on myth for its material, this was not the case with comedy, which was sharply satirical about contemporary issues and personalities. In his play "The Acharnians," Aristophanes criticized the Athenians' war against Sparta, and even expressed a measure of sympathy for the enemy (this in 425 B.C., while Athens was at war). Not only was the play not suppressed; it won first prize in the drama competition of that year. D. KERAMITAS, Paris.

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Mitsubishi Model-A, series-production car, '31 engineers at the time.



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ARTS / LEISURE

Picking Up On Designer Looks

By Kate Singleton
FASHION designer Giorgio Armani certainly knows how to communicate with style. "Notturno" is the name of the new telephone he has designed for Italtel, Italy's state-owned telephone company. It is a sleek, black parallelepiped that should look nice with your jacket, though it may not fit your hand as well as yesterday's boring old ergonomic receiver.



Armani's "Notturno" telephone.

DOONESBURY



three outfits (a smart, shiny evening one, a warm, woolly winter one and a cool, pale linen summer one) with which to dress a line in soft seating designed for B&B Italia by Paolo Nava.

As for the bathroom, there's a range of styles to choose from, as befits so personal a domain. Surfaces can be tiled by Krizia, Valentino, Roberto di Camerino, Biagiotti, Versace and others. The place can be adorned with towels by Ken Scott, Pierre Balmain or Valentino, who also sign coordinated bed linen. Then there are soap dishes, cotton-wool holders, comb cases, powder compacts, shower curtains, bathmats and bathrobes, all of them designed by Ezio Covert.

Despite the all-pervading nature of fashion, however, there are still one or two areas left that might benefit from its improving attentions. Fashion designers have made air-hostesses and stewardesses look stylish, but bus conductors, railway ticket inspectors, the police and the nursing profession have been less fortunate. And designer garb for gardeners could in its turn lead to designer spades, forks, trowels, hoes, indeed hose (a mere homonymic sidestep from the sheer or lacy variety), dibbling sticks and secateurs. Designers whose names bring to mind particular colors or color melanges might look into the possibility of creating seed kits that ultimately would provide recognizable beds and borders.

Designers don't seem to have done anything very much about food yet either, which is curious considering how much effort goes into making the table look nice. Cheeses, for example, could be a promising area for development. The Dutch cheeses, or the Pyrenees ones, with waxy outer coatings, could be enhanced in the hands of those fashion designers who have already perfected monogrammed, plated materials for their handbags and luggage. Cheeses with holes in them, gruyere for instance, might lend themselves to the Japanese designers who have gone in for the rugged look. And blue cheeses such as the English Stilton or the French Roquefort could probably be produced in such a way that the mold actually conforms to a certain pattern—the designer's griffe—all the way through.

Kate Singleton is a Milan-based journalist who writes frequently on cultural affairs.

When Only the Best Will Do

By Joseph Fitchett
International Herald Tribune

LONDON — London's snobs, who speak English as to the mannerism born, publish rather than perish as world arbiters of taste. Their new superlative sally is "Courvoisier's Book of the Best," which claims to be the ultimate global guide to what's IN now.



Beauty.

Armed with this, traveling yuppies can be confident of patronizing (or at least dropping the names of) the right restaurants and spas, the hottest party-givers and the most select sports clubs. Glibly, the authors make light of their own claims to be right: "The Guinness Book of Records' titles arguments, this book will start them."

"Courvoisier's Best" lives up to its claim to be global. For 200 cities all over the world it lists the two or three top restaurants, hotels, boutiques, sports and clubs. Everything you need for a successful 48-hour stopover, accompanied by witty advice about local customs and affectations. Nepal, for example, is the venue for one of the best sports events: elephant polo. "Picture if you can, a curious gathering of elephants, elongated peasticks and a sea of internationally known faces. Each December, the World Elephant Polo Championships take place in the Royal Chitwan National Park." A merry band of celebs takes over the Tiger Tops Jungle Lodge. "Go via ExplorAsia (see

Travel section)," says Courvoisier's sports section, which is presided over by the racing-car star Stirling Moss.

This guide for upmarketers assumes that its readers are in quest of the best wherever they go—and that they go lots of places. Best beauticians, for example, are listed from Munich (Kosmetikstudium) to London (Clay Elison Studios). "Some people think this man is the best make-up man in the world," plus all the more obvious people in between.

If you are in a town where the concierge is your only speaking acquaintance, the guide tells you who to call to give a great party for yourself or your cause. The lists of best party organizers includes Peggy Mulholland in New York, Peter Rowland in Melbourne or, in London, Party Planner run by Lady Elizabeth Anson, who is involved in up to 14 parties (underlined) a day.

The guide's staple fare is the usual gamut of services in the world's major cities: restaurants and tailors, hotels and sports clubs, real

estate and get-away spots, yacht charter, shopping and more shopping.

Naturally, it runs lit-parades of the best, with all the usual suspects on parade. For example, it rates the world's best health farms in this order: The Golden Door, California; Intercontinental Spa, Fort Lauderdale, Florida; Strublands Hall Health Clinic, Suffolk, England; Les Patis et les Sources, Bagnoles-de-l'Orne, France; The Green Bear, West Virginia; Tokyo Onsen-Diamond Spa, Tokyo.

Its ranking of the world's best hotels is: Mandarin, Hong Kong; Oriental, Bangkok; Commaught, London; Cipriani, Venice; Carlyle, New York; Beverly Wilshire, Los Angeles; Okura, Tokyo; Hotel du Cap, Cap d'Antibes; Regent, Sydney; Regent, Melbourne.

The contributors to "Courvoisier's Best" headed by Lord Lichfield, a cousin of Queen Elizabeth II (no ratings for best queens), include many professionals of good living. Experts such as the food writer Paul Levy (notorious for mouthing the stillborn neologism, "foodie") and Jasper Conran, fashion designer son of the Habitat founder Terence Conran, are se-



Drink.

For those who can't get enough of the Best, there are more treats in store. Didier Brodbeck, a Paris advertising executive, plans to launch what he hopes may become a kind of annual dream guide to the world's luxuries. To be called "The Best of the Best" it will be a glossy, full-color production with loving details of products, people and property from round the world—the best watches, the best cars, the best apartments, how to recognize them and where to find them. He will also include (tactfully so as not to offend his top sponsors) a section on the Worst of the Best. "Things that go over the top - Sylvester Stallone's solid-gold diamond-studded toilet seat, or the watch that has a naked woman's legs as the hands..."

And Stuart E. Jacobson, the golden boy who put together "Only the Best," a sickly-sweet chocolate box of a book subtitled "A Celebration of Gift-Giving in America," which records how Ronald Reagan gave Nancy a cameo called Trudy, and Steve McQueen presented Ali McGraw with daisies in a trash can, as well as such extravagant monuments as William K. Vanderbilt's Marble House, created for his wife at Newport, Rhode Island, in 1892, is promising a European edition. Authors tend to agree that a mixture of fantasy and social insecurity creates the market for such instructive volumes, and that things are clearly going to get better before they get worse.

ended by the likes of Giorgio Armani, Bill Blass, Michael Broadbent, David Hicks, Charlotte Rampling and Peter Ustinov.

Not just list-makers, Courvoisier's best people distill some worldly wisdom about modern manners. Of restaurant waiters, the British socialite and owner of Anabelle's (best nightclub), Mark Birley says: "The best service is service gladly given. If something's wrong with the food, you want to be able to complain without some stropky waiter going away in high dudgeon."

Taki, the Greek-born London wit, deplores tax-deductible charity balls, which he claims have ruined the New York season. Fund-raising, he says, is "a way Americans have found to social climb." People put themselves on committees to hold parties to which they can invite themselves with the best people they would like to meet. As a result, he says, "Nobody gives parties anymore. You don't see anyone you know. You just see hundreds of thousands of New Yorkers pushing."

Naturally, the information in "Courvoisier's Best" is actually wrong about any place you actually know. But snobbery has its advantages. The lists are so short that there is no room for stressful worrying about choices between rival establishments.



Shopping.

General News

Mine Kills 4 Lebanese Militiamen

BEIRUT — A mine planted by Moslem militiamen killed four Israeli-backed Lebanese militiamen and wounded two others in southern Lebanon in apparent revenge for Israeli helicopter raids a day earlier, the South Lebanon Army militia said Monday.

Israeli helicopters attacked Moslem fundamentalist guerrilla bases just north of the Israeli border Sunday, wounding at least 15 persons, in response to guerrilla attacks Friday on an Israeli-backed militia.

A statement from the Israeli-backed South Lebanon Army said the four men died when their armored car hit the mine.

Meanwhile, revenge killings and kidnappings continued in West Beirut despite high-level contacts to avert a confrontation between Moslem Shiite and Druze militiamen, which are both pro-Syrian groups.

The authorities said hundreds of Shiite Amal and Druze Progressive Socialist Party militiamen set up checkpoints and kidnapped several people from each other's groups.

The incidents apparently were triggered by the killing Sunday of two Progressive Socialist Party militiamen in the southern coastal suburb of Khaldé.

The Druze blamed Amal, which denied involvement.

In Tel Aviv, a spokeswoman for the Israeli Defense Forces said that "it's very probable" the attack in south Lebanon was in retaliation for Sunday's Israeli raids on suspected camps of Hezbollah, or the Party of God.

Hezbollah is an extremist Shiite Moslem group loyal to Iran.

Beirut Kidnapping

The Lebanese Christian director of an engineering consulting company was kidnapped Monday in West Beirut, the police told Reuters.

The four kidnapers intercepted Sabza Daoud Abdo, 56, as he drove to work, according to the police.

Mr. Sabza, director-general of the Dar al-Handassa company, is one of the Beirut company's 23 partners. He is a Christian Lebanese of Palestinian origin.

Dar al-Handassa issued a statement saying it would close its Beirut offices and dismiss its employees if Mr. Sabza was not freed.



Cardinal John J. O'Connor, left, with Foreign Minister Shimon Peres.

Vatican Accepts Cardinal's Meetings

Holy See Says Visits in Jerusalem Were 'Acts of Courtesy'

By Roberto Suro
New York Times Service

ROME — The Vatican has described Cardinal John J. O'Connor's meetings with Israeli government leaders as "acts of courtesy" and said the encounters would not have a direct effect on the Holy See's relations with Israel.

A statement issued Sunday by the chief Vatican spokesman, Joaquin Navarro Valls, recalled that pope had dealt directly with senior Israeli officials in the past. The statement also noted that "problems" between the Vatican and Israel were "dealt with in the proper places."

Cardinal O'Connor met Sunday night with President Chaim Herzog of Israel after resolving a diplomatic impasse over the circumstances of such an encounter.

The two met for an hour at the president's mansion, a building used by Mr. Herzog as a home and office. The cardinal said he had not cleared the meeting with the Vatican since he felt Vatican guidelines permitted him to visit Mr. Herzog at a residence.

A senior Vatican official said Cardinal O'Connor, the archbishop of New York, did not seek specific Vatican approval of his plans.

Asked whether the Vatican approved of the meeting and a similar encounter Monday with Foreign Minister Shimon Peres, the official said: "It is not a matter of approval or disapproval but of understanding the very difficult situation Cardinal O'Connor placed himself in."

The official said the Vatican was "well aware that the cardinal was being pushed very hard to do something." But he added that the Vatican wanted "to make it very clear that these are not significant diplomatic occasions, that nothing of substance is going to be resolved."

Shortly after arriving in Israel on Thursday, the cardinal publicly apologized for having canceled appointments to see several senior Israeli officials in their Jerusalem offices. He said he had done so after learning that the Vatican opposed such encounters because it did not recognize Jerusalem as the Israeli capital.

Despite many requests by Israeli and American Jewish leaders the Vatican has refused to engage in full diplomatic relations with Israel. The Holy See's rejection of Israel's claim to Jerusalem as its capital is tied to an insistence that the city be the subject of an "internationally guaranteed statute" protecting it as a holy city for Christians, Moslems and Jews.

The change of plans provoked a dispute in which many Israelis as well as American Jewish leaders asserted that the Vatican had forced Cardinal O'Connor to snub the Israeli government.

Visit to Refugee Camps

After seeing Mr. Peres on the last day of his five-day trip to Israel, Cardinal O'Connor visited Palestinian refugee camps in the occupied Gaza Strip, United Press In-

Romanians Shivering in a Gloomy Winter

By Henry Kamm
New York Times Service

BUCHAREST — With winter hard upon them, Romanians are once again experiencing the drastic energy shortage that has made them shiver in barely heated and dimly lighted homes and workplaces through the past two winters, even more so than in the winters before.

Shortages of all foods, in a country that is one of Europe's traditional food exporters, result in an impression of citizens perennially standing in line with empty shopping bags and returning home with the bags scarcely fuller.

Romanians are still required to give the leader, Nicolae Ceausescu, and his wife, Elena, the country's second-most-powerful person, gestures of enthusiastic approval that contrast with the hardships of more than 21 years of Ceausescu rule.

In the view of Romanians who risk taking visitors or foreign diplomats into their confidence, the daily hardships and stern constraints on liberties dim the achievement for which Mr. Ceausescu is best known abroad — a foreign policy somewhat independent of the Soviet Union's.

A special plebiscite in November typified both aspects of Mr. Ceausescu's absolute rule. When the Soviet Union raised its military spending 6 percent, he announced that he was cutting Romania's armed forces, their equipment and budget by 3 percent.

Then he ordered a plebiscite to approve his decision. Romanians reported to their jobs on a Sunday, the only day off from their 46-hour workweek, and voted yes unanimously, according to the government report. Mr. Ceausescu lowered the voting age for the occasion, and children from age 14 voted in school.

Because they were already at

their machines or desks, most were told to put in a regular workday. Many retired people were told by neighbors that they did not need to vote, and that their ballots, on which voters put their names and addresses, had been cast for them.

Of a nation of more than 22 million, with 17.7 million eligible voters, all but 228 people voted and all votes were in favor, the government said.

The voting was surrounded by a huge propaganda campaign. Mr.

several provincial cities, Mr. Ruzian said, "We consider that this is only an appearance, because the statistical data show that the consumption of agricultural and food products increased every year in accordance with the needs of the populations."

He said surplus products were exported only after all domestic needs were met.

This statement was contradicted by a senior government economist who spoke anonymously. He said

Official denials of food shortages brought bitter laughs from consumers. A woman said her family bought at best a couple of pounds of bones, the product that was most frequently available in butcher shops.

Ceausescu's image was even more in evidence than usual. His words were inscribed on many walls, and his name resounded all day from the radio and dominated the two hours of television a day that are allowed during the power shortage.

Romanians are in no position to ask for an explanation for the severe and long-lasting shortages. Their newspapers ignore such news.

A foreign reporter was told at the Petroleum Extraction and Food Industry ministries that the ministries had no explanation for the shortages. Both ministries are said to have fulfilled or surpassed their production plans, which theoretically provide for the needs of all Romanians.

A director at the Food Ministry, Ion Ruzian, denied that there were shortages, although he said that there might be occasional, brief shortcomings in distribution.

Asked about the food lines, which begin before dawn and continue into dark in Bucharest and

butcher shops. If the family is lucky, she said, the bones were of the better of two categories, with scraps of meat on them.

"The other kind is shiny," the woman said.

Consumers reported that bread, sugar, cooking oil and flour were rationed, but that the small amounts of the rations were not always available. Cheese and butter have become almost unknown, a woman said.

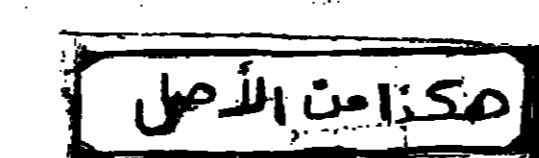
Such former staples as Romanian ham, salami, canned meats and cheese are seen only in hard-currency shops for foreigners. A saleswoman said flour, sugar and oil were also occasionally available for foreign currency, which Romanians are forbidden to have.

Despite the food shortages, Romania is stepping up its longstanding campaign to encourage women to have more children. For years, contraceptives and abortions have been unavailable and illegal. Illegal abortions have caused many deaths.

The government has stepped up obligatory monthly medical checks of women at their workplaces to detect pregnancies and keep them from being interrupted.

Although minimal electricity is expended to heat homes and workplaces, no energy is being spared on a grandiose project to devastate the center of the capital and construct a vast avenue with government palaces and apartment buildings to mark what is officially called "the Ceausescu Epoch, the Age of Gold."

The only public grumbling by a visitor in 15 days came from an old woman bemoaning the loss of the old town, traditional houses, churches, synagogues. It has been Ceausescu the honor of Agriculture, as of "for plowing up the Bucharest."



Will Do

Statistics Index

AMEX prices P.12	Earnings reports P.11
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Dow Soars Record
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4 P.M.
PRICES
UP

TUESDAY, JANUARY 6, 1987

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INTERNATIONAL STOCK MARKETS

Thai Bull Run Expected To Continue Well Into '87

BANGKOK — The bull run of more than five months on the Thai stock market is expected to continue at least until the middle of this year, according to local and foreign securities analysts and bankers. Maruay Phadungsinh, president of the Securities Exchange of Thailand, said that falling domestic interest rates, high liquidity, a strong economy and growing foreign interest appear likely to continue.

"I expect the uptrend to continue," he said, "although prices probably will not rise as steeply as during the past three months."

The SET Index, an average of the 94 registered stocks listed on the market, rose more than 50 percent during the second half of last year, after declines of 2 percent in the first half and 5 percent in 1985.

On Friday, the first trading day of the year, the SET Index rose 1.96 to 209.16, its highest level in seven years. Market capitalization reached 75.9 billion baht (\$2.92 billion).

Mr. Maruay said that barring wild fluctuations in world oil prices and interest rates, Thailand's economy would achieve the highest growth among South East Asian countries in 1987.

The Thailand Development Research Institute, a leading economic research body, forecast recently that Thailand would post growth in gross domestic product, the total output of goods and services minus operations from abroad, of 5.4 percent in 1987, adjusted for inflation. GDP grew 3.9 percent last year and 4 percent in 1985.

The institute's projection is based on expected growth of 6.2 percent in the manufacturing and service sectors this year, a further sharp overall increase in industrial exports and markedly higher levels of foreign investment, especially from Japan.

MR. MARUAY SAID another positive factor had been persistent high liquidity in the local money market, which has an estimated surplus of 60 billion baht.

Bankers and economists said many Thais began investing their savings in stocks when interest rates paid by commercial banks fell to 20-year lows last year. One-year fixed deposits now earn interest of 7.25 percent, compared with 12 percent a year ago.

Steve Moir, head of the treasury unit at the local Citibank NA unit, said, "I'm quite bullish about the Thai stock market."

"There's been a strong run-up in the past three months and frankly, there's still a lot more to go."

"The current market advance is not so much a speculative rally as a steady boost by longer-termed investors based on good expectations and good fundamentals," he added.

Malcolm Fisk, chief Bangkok representative of National Australia Bank, said the rally showed that confidence had returned to the market, and that the 1984-1986 recession had been replaced by progressive economic growth.

"The present steady growth will continue," he said, "but I don't think it will become bigger and bigger without control."

The market was boosted in December when the government agreed to substitute a progressive tax of up to 55 percent on dividends from company stocks and debentures with a flat 15-percent levy, bringing it into line with a similar tax on interest from bank deposits.

A government spokesman said the tax cut, which took effect on Jan. 1, is part of an official policy to promote the Thai equity market.

SET figures show that foreigners accounted for around 1.24 billion baht, or 7.11 percent, of turnover during the third quarter of 1986, up from 358 million baht, or 3.64 percent, a year earlier.

Foreigners face few restrictions in buying Thai shares.

Merrill Lynch Capital Markets and Cazenove & Co., which jointly launched the \$10 million Bangkok Fund, a portfolio investment vehicle for foreigners, in September 1985, are expected to see THAILAND, Page 9

New Offer In Fight For HWT

Fairfax Bids For Queensland

SYDNEY — The battle between Rupert Murdoch and Robert Holmes & Court for Australia's largest media group took a new turn Monday when another contender bid 910 million Australian dollars (about \$600 million) for a company with a major stake in the takeover target.

John Fairfax Ltd. launched a bid for the Brisbane-based Queensland Press, a key shareholder in Herald & Weekly Times Ltd., which is sought by the two Australian tycoons.

The offer was in a letter to Queensland sent Sunday by Fairfax, a media giant whose flagship is the Sydney Morning Herald.

Fairfax's two key conditions are that Queensland Press accept a cash offer from Mr. Holmes & Court's J.N. Taylor Holdings of 13.50 dollars a share for its stake in HWT and that the J.N. Taylor offer allows HWT to accept the Fairfax bid for Queensland Press.

Queensland Press controls 24 percent of HWT, while HWT in turn holds 48.3 percent of Queensland Press.

Queensland Press, which publishes morning and afternoon daily newspapers in Brisbane and holds radio and regional newspaper interests in Queensland, has not yet replied. There was also no immediate comment from Mr. Murdoch or Mr. Holmes & Court.

The HWT board has already agreed to back Mr. Holmes & Court's bid of 2.1 billion Australian dollars, which topped Mr. Murdoch's bid of 235 million dollars. The board's support for the Holmes & Court bid, however, was contingent upon not getting a better offer.

Mr. Murdoch, owner of the world's largest media empire, has said he would take the issue directly to HWT shareholders.

Fairfax offered 20 dollars for each Queensland Press share, making the bid worth 910 million dollars.

Fairfax's general manager, Greg Gardiner, said that Mr. Holmes & Court had indicated that he would vary the terms of his bid for HWT to permit it to accept the Fairfax offer. Fairfax has bitterly attacked Mr. Murdoch's takeover attempt, which it said would lead to a monopoly of 75 percent of the Australian media. (Reuters, AFP)



Two Chinese take home newly purchased Japanese television sets.

China's Long March to Consumerism

Thrift, Austerity No Longer Keys To the Good Life

By Jim Mann
Los Angeles Times Service

BEIJING — It is a typical Thursday night in the Yueyou (Happy Friend bar and cafe) in the center of Beijing. Stevie Wonder's "I Just Called to Say I Love You" is playing in the background and all the tables and booths are occupied.

The crowd is entirely Chinese. Many are well-dressed young professionals. Some of them have wandered in from the concert hall next door.

They are doing something their parents' generation never would have dreamed of — blowing a bit of their own money on beer, wine and night life.

A few blocks away, in the state-owned Modern Times cocktail lounge, He Wenzhong, an official at Radio Beijing in a well-tailored suit, sips from his can of Japanese Asahi beer and explains his philosophy of finance: "When you put money in the bank, you get nothing. When you spend it, you enjoy life. People are working harder now and they want to enjoy life."

Such feelings are an outgrowth of China's ongoing economic reforms. The gradual lifting of price controls in China and the continuing inflation that has accompanied it have brought the first stirrings of a consumer society in the world's most populous nation.

Old notions of thrift and austerity are being cast aside. Not only common street wisdom, but some of China's prominent economists are spreading the notion that spending money is not such a bad thing.

"The concept of consumption should be changed," Li Yiming, a Beijing University economics professor, said in an interview with the government-run newspaper China Youth News last summer.

"Consumption that does not exceed the limits of one's in-

Iraq Adhering To OPEC Pact On Fixed Prices

MANAMA, Bahrain — Iraq has adopted a fixed-price system for most of its crude-oil contracts that is in line with last month's OPEC agreement, an official of Iraq's state Oil Marketing Organization said Monday. He added that the prices were effective from Jan. 1.

Iraq refused to sign the agreement by the Organization of Petroleum Exporting Countries, saying that it restricted the country to an unacceptably low level of production.

Iraq's move was one of several announced Monday to implement the OPEC accord. That agreement aims to raise oil prices to around \$18 a barrel by cutting production 7.25 percent to 15.8 million barrels a day in the first half of this year.

The Middle East Economic Survey said Monday that at least six other OPEC members have notified clients of new, increased crude oil prices: Saudi Arabia, Iran, Kuwait, the United Arab Emirates, Nigeria and Algeria.

Oman, although it is not a member of OPEC, has told its customers to be prepared to renegotiate contracts along OPEC lines, the survey added.

The OPEC agreement has already boosted levels on the spot market by about \$3 a barrel, and Britain's main Brent grade for February delivery traded Monday at around \$18.20.

The Iraqi official said his country's Kirkuk oil was now priced at \$17.60 a barrel and Basra Light at \$17.30. Most OPEC producers are fixing prices from Feb. 1.

The Middle East Economic Survey said, meanwhile, that Iraq would continue to ignore OPEC rules on production.

On Dec. 20 OPEC established a production quota for Iraq of 1.46 million barrels a day, rejecting Baghdad's demand for parity with Iran, its enemy in the Gulf war.

Iran received a quota of 2.25 million barrels a day.

The Cyprus-based newsletter said Iraqi output would be around 1.8 million barrels a day in January and rise to 2 million barrels a day in February, when the east-west pipeline across Saudi Arabia to the Red Sea is expanded.

The oil journal said Iraq's output capacity was expected to climb to around 2.5 million barrels a day by the end of the second quarter of this year, explaining the 500,000 barrels a day are scheduled to be added to the Iraqi-Turkish pipeline.

In other developments Monday:

- The Middle East Economic Survey said that the Abu Dhabi Department of Petroleum had told foreign partners in its two main producing companies, ADCO and ADMA-OPCO, that fixed prices for oil they lift for their own use would start as of Jan. 1.
- Abu Dhabi announced an increase of \$1.15 a barrel in the price of its crude oil pumped in December. Its main Murban grade rises to \$15.55, compared with the \$17.92 it must charge by Feb. 1.
- Saudi Arabia notified its customers of a further 10-percent cut in contract volumes for January, over and above a 10-percent reduction announced last month.
- Kuwait canceled two crude-oil term contracts from the end of January because the customers did not accept the Kuwait price stipulated by OPEC. A Kuwaiti official said. The customers were not identified.
- In Jakarta, Mines and Energy Minister Subroto said that Indonesia would raise its oil price by more than \$4 a barrel over the next two months.
- Speaking after a meeting with President Suharto, Mr. Subroto said Indonesia would raise its price from \$13.50 a barrel to \$16.28 in January and \$17.56 in February. (Reuters, AP, UPI)

Pressure Mounting on Guinness Chief to Resign

BY STEVE LOHR
New York Times Service

LONDON — The chairman of Guinness PLC, the big British brewer that is the target of a government investigation, will face increasing pressure this week to resign, according to some of the company's large shareholders.

Ernest Saunders, the 51-year-old Guinness chairman, returned to work Monday from a holiday in Switzerland and will soon meet with company directors amid fresh allegations of questionable actions by the management during its £2.7 billion (\$4 billion at current exchange rates) takeover last year of Distillers Co.

The current investigation by Britain's Department of Trade and Industry is focusing on share dealings during the bitterly contested takeover battle for Distillers, which Guinness won over a rival bid from Argyll Group PLC.

Mr. Saunders will face a special committee of outside directors who have been hearing a rising chorus of concern from major Guinness shareholders. The company's stock price has fallen sharply since the government investigation began a month ago, even though Guinness announced in mid-December that its pretax profits had nearly tripled to more than £241 million in the year ended last September.

In December, the Guinness share-price dropped from 330 pence a share to 288 pence. Significantly, the stock rallied 12 pence to 300 pence last Friday on rumors that Mr. Saunders will soon be replaced. Guinness shares slipped Monday to 294 pence.

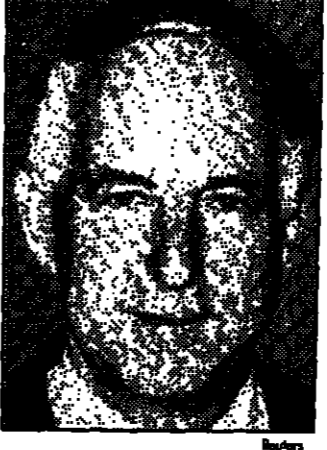
Guinness' institutional shareholders worry that the widening government investigation could take several months, with the company and its present management under a cloud throughout. These fund managers generally praise Mr. Saunders' performance since 1981, when he became chief executive, and refuse to judge his actions in the takeover before the government inspectors reach a decision.

But several questioned the wisdom of allowing Mr. Saunders to remain chief executive. One fund manager, who asked not to be identified, observed: "Guinness is a public company, and perceptions are higher without Saunders than with him, he should go."

Yet Mr. Saunders also has supporters. One fund manager, for example, said that despite apparent "errors in judgment," Mr. Saunders "deserves to remain as chairman unless it is actually proven he is guilty of misconduct."

Guinness has hundreds of institutional shareholders, according to a company spokesman, with the largest being Prudential Assurance and Warburg Investment Management. Prudential supported Argyll's rival bid for Distillers.

Many securities analysts recommended Guinness shares before the investigation, but are now withholding purchase recommendations until the fate of the company's management and the outcome of the government inquiry are clarified.



Ernest Saunders

U.K. Reserves Fell \$83 Million In December

Agencies France-Press

LONDON — Britain's currency reserves fell by \$83 million in December to \$21.92 billion, the Treasury said on Monday.

But it said that extraordinary items, such as repayment of debt and new loans in the public sector, reduced the reserves by \$179 million. Otherwise, they would have risen by \$96 million, which would have been the first increase for six months.

Analysts said the reversal of the trend reflected positive sentiment about sterling because of firmer oil prices, a weaker dollar, and a better showing in opinion polls for the governing Conservative Party.

For the year, reserves rose by \$6.38 billion, or 41 percent.

Currency Rates

Cross Rates	Jan. 5
American \$	163.75
British £	163.75
French F	163.75
German M	163.75
Italian L	163.75
Japanese ¥	163.75
Swiss S	163.75
Spanish P	163.75
Portuguese Esc	163.75
Belgian B	163.75
Dutch G	163.75
Australian A	163.75
New Zealand D	163.75
Canadian C	163.75
South African R	163.75
Indian Rupee	163.75
Thai Baht	163.75
Yen	163.75

Saudi Defends Budget Decision To Top Reserves

RIYADH — Saudi Arabia's defense minister said in remarks published Monday that the kingdom's decision to divert oil revenues to cover a projected \$14 billion budget deficit in 1987 was the best of three possible options.

According to Prince Sultan bin Abdul Aziz, who was quoted in two Arabic language newspapers in Riyadh, the other possibilities were to borrow funds or combine new taxes with a cut in subsidies on food, animal fodder and medicine.

The 1987 budget, unveiled last week, set spending at 170 billion Saudi riyals (\$45.3 billion), far higher than expected, and projected a \$2.72 billion deficit. It was the first time the Saudis had conceded a need to dip into reserves, estimated at around \$90 billion.

Before details were released, King Fahd had assured the nation that basic subsidies would not be cut.

Prince Sultan said that, despite criticism from some people in the kingdom, the decision to draw down reserves was the easiest and best method available to bridge the projected budget shortfall.

Only about half of the Saudi reserve is thought to be in the form of liquid assets.

Interest Rates

Key Money Rates	Jan. 5
1 month	6 1/4 - 6 3/4
3 months	6 1/2 - 6 5/8
6 months	6 3/4 - 7 1/8
1 year	6 3/4 - 7 1/8

Asian Money Deposits

U.S. Money Market Funds	Jan. 5
Merrill Lynch Bond	5.24
30 day average yield	4.89
Yield on 100% Treasury	4.89

Gold

Gold	Jan. 5
London	374.00
New York	374.00
Paris	374.00
Frankfurt	374.00
Zurich	374.00
Geneva	374.00
Basel	374.00
Brussels	374.00
Amsterdam	374.00
Stockholm	374.00
Copenhagen	374.00
Helsinki	374.00
Tallinn	374.00
Riga	374.00
Vilnius	374.00
Warsaw	374.00
Budapest	374.00
Prague	374.00
Brno	374.00
Olomouc	374.00
Pilsen	374.00
Plzen	374.00
Tabor	374.00
Uherske Hradiště	374.00
Vsetín	374.00
Znojmo	374.00
Bratislava	374.00
Košice	374.00
Prešov	374.00
Žilina	374.00
Banská Bystrica	374.00
Trnava	374.00
Trenčín	374.00
Žilina	374.00
Banská Bystrica	374.00
Trnava	374.00
Trenčín	374.00
Žilina	374.00
Banská Bystrica	374.00
Trnava	374.00
Trenčín	374.00
Žilina	374.00

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150 K marts to Get Banking Outlets

United Press International
DEARBORN, Michigan — First Nationwide Bank, a unit of Ford Motor Co., and K mart Corp. announced Monday a program to place at least 150 additional banking centers in K mart stores this year.

The new branches will be at stores in California, Florida, Missouri, New York, Ohio and Pennsylvania. Neither company would give a cost, but they said the investment was minimal.

Under the agreement with K mart, the second-largest U.S. retailer after Sears, Roebuck & Co., First Nationwide will open about 100 of the branches.

The remainder will be opened by First Nationwide Network, a 44-member group of locally owned and financial institutions that is affiliated to First National Bank.

Another 150 branches a year could be added in 1988 and 1989,

First Nationwide's chairman, Anthony M. Frank, said.

"Using K mart's facilities, we've been able to substantially reduce our costs and pass the savings along to customers," he said.

The agreement allows First Nationwide to open branches at about half of what a stand-alone operation would cost, he said.

Mr. Frank said the branches, which offer all banking services except safe deposit boxes, will enable First Nationwide to offer interest rates of 30 to 40 basis points, higher than prevailing rates, depending on locality.

"This is what we call marketing to the masses," K mart's chairman, Bernard M. Faber, said.

He said that although no formal studies had been made, he believed that in-store banks would lead to more dollars being spent at K mart.

He said he viewed the expansion only as an added benefit to K mart shoppers and has "not given much thought" to K mart's competition with Sears' Financial Services, run by Sears Roebuck.

Belgian Banks Discuss Revised Cockerill Loan

Reuters
BRUSSELS — Major Belgian banks are discussing a possible revision of the terms of a 27-billion-Belgian franc (\$6.75 billion) loan to Cockerill-Sambre SA, the state-controlled steel company, a finance ministry spokesman said Monday.

Negotiations with the government are expected to be completed by the middle of this month. The loan is in three tranches each for 23 years. The company is expected to report a 1986 loss up to 6 billion francs and recently won union approval to lay off 2,000 of its 15,000 workers.

Wheeling Head Quits, Sells Stake

The Associated Press
PITTSBURGH — Allen E. Paulson said he resigned Monday as chairman of Wheeling-Pittsburgh Steel Corp. after selling his 34.2-percent interest to a director, Lloyd C. Lubensky, for about \$13.5 million.

Mr. Paulson said Mr. Lubensky stands to become the company's new chairman at a board meeting Wednesday in Pittsburgh.

Mr. Paulson, who is chairman of Gulfstream Aerospace Inc. of Savannah, Georgia, said he had sold the 1.75 million shares of common stock to offset capital losses and resigned because of pressure of work.

Citicorp, Dai-ichi Discuss Cash Service Linkup

Reuters
NEW YORK — Two of the world's largest bank groups, Citicorp of the United States and Dai-ichi Kangyo Bank Ltd. of Japan, are discussing a project to make it possible for their customers to use automatic teller networks in each others' countries, the banks said Monday.

A Citicorp spokesman said the discussions have not covered other arrangements or services and are not related to Citicorp's planned introduction of its Citibank Mastercard in Japan this year.

Last week, the Tokyo newspaper Yomiuri Shimbun quoted informed sources as saying that an extensive tie-up had been arranged between the two banks, including credit cards and loans.

But Yuko Oama, managing director of Dai-ichi's New York branch, said Monday that the two sides had merely discussed the automatic teller proposal.

"We have just discussed a cashing service and nothing more than that," he said.

"Citicorp made a proposal to us last fall for the limited exchange of services but talks have not reached a conclusion as yet," he said.

Dai-ichi, the largest bank group in the world with more than \$200 billion in assets, has 356 branches in Japan.

Citicorp is the biggest U.S. bank group and one of the top five in the world, with \$186 billion in assets at Sept. 30.

Citicorp has made no secret of its desire to expand in Japan, analysts said, noting that its October board meeting was held in Tokyo.

But it is still only a minor player in the growing Japanese banking industry, they said.

Its operations in Japan are limited to stockbroking via its Vickers da Costa Ltd. unit, along with consumer finance, investment banking and loan-production units.

At the time of the Tokyo board meeting, Citicorp described Tokyo as "an increasingly important franchise in Citicorp's growing presence within the dynamic Asia-Pacific financial marketplace."

While the potential linkup is on a far less grandiose scale than last year's alliance between Sumitomo Bank Ltd. and Goldman Sachs & Co., banking analysts said it could contain mutual benefits for both organizations with little sacrifice.

Analysts also saw potential advantages for Dai-ichi, even though Mr. Oama said, "Citicorp has more to benefit in Japan than Dai-ichi does in the U.S."

Stephen Berman of Nomura Securities International Inc. said, "Dai-ichi doesn't have the same visibility as other Japanese banks in the U.S., so anything would help."

Campeau to Sell 16 of Allied's 24 Divisions

The Associated Press
NEW YORK — Campeau Corp. plans to sell 16 of Allied Stores Corp.'s 24 store divisions during the next two years to repay \$1.1 billion in bank loans from its \$3.4 billion acquisition of Allied.

Campeau has filed documents with the Securities and Exchange Commission disclosing its plans to sell such divisions as Bonwit Teller, Gurney's, Plymouth Shops and Jostke's, a spokeswoman said.

Campeau plan to retain the Ann Taylor and Brooks Brothers chains, in addition to Stern's, Mass. Brothers, The Bon and Jordan Marsh-New England department store chains.

The merged company would own 269 department and specialty stores after the planned sales. It now holds 698 stores.

Banks to Weigh Rescheduling Of Loans to Saudi Company

Reuters
MANAMA, Bahrain — International banks will meet in Bahrain this weekend to try to recover loans of more than \$330 million that they made to Saudi Research & Development Corp., one of Saudi Arabia's most prominent private companies, bankers said Monday.

They said that a steering committee of seven banks would present creditors of the corporation, known as REDEC, with a plan to reschedule its debt.

REDEC, whose majority owner is the businessman Ghuthi Pharaon, suspended payments on its debt to more than 40 major international banks in December 1985. Interest payments ended last March.

Some banks have attempted, but mostly failed, in Saudi courts to attach REDEC assets to repay their loans.

At the end of March, REDEC's direct debt to banks totaled 968.8 million Saudi riyals (\$258.29 million at current exchange rates). Debts owed by subsidiaries totaled a further 265.5 million riyals.

REDEC is a huge conglomerate, with interests ranging from hotels and shipping to cement.

It grew rapidly in the oil boom years of the late 1970s and early 1980s, then ran into problems as the region's economy declined.

The steering committee's rescheduling proposals will be discussed by a full meeting of creditor banks on Jan. 10 and 11, the sources said.

That plan foresees the debt being repaid over 10 years at an interest rate of one-half percentage point over a reference level for riyal deposits quoted in Bahrain.

Sources said the fact that no debt had been repaid since 1985, coupled with unsuccessful attempts to seize the company's assets, could prompt bankers to go along with the rescheduling, although some had serious doubts about it.

The banks on the steering committee are: Banque Indosuez of France, Citibank, Bank of Boston and Manufacturers Hanover Trust of the United States, and Hongkong & Shanghai Banking Corp.

EULABANK

Extract from Audited Consolidated Accounts for the twelfth year ended 30th September 1986

	1986 £	1985 £
Profit before Taxation.....	8,706,250	8,937,399
Profit after Taxation.....	5,009,973	4,927,067
Share Capital and Reserves	47,953,777	42,943,804
Subordinated Loans.....	24,221,453	28,000,000
Deposits.....	714,205,336	814,933,329
Cash at Banks, etc.....	134,263,719	170,629,058
Deposits Placed.....	75,667,873	92,696,469
Loans and Advances.....	573,434,783	608,142,109
Total Assets.....	795,157,708	894,765,579

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Latin America: Banca Serfin SNC; Banco de Colombia; Banco de la Nación; Banco de la Republica Argentina; Banco de la Republica Oriental del Uruguay; Banco del Estado; Banco del Estado de Chile; Banco del Pichincha CA; Banco do Brasil SA; Banco Industrial de Venezuela CA; Banco Mercantil de São Paulo SA.

The above extract is an abridged version of the group's full accounts which will be filed with the Registrar of Companies and on which the company's auditors gave an unqualified report.

Copies of the Annual Report and Accounts may be obtained from the Secretary.

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COMPANY NOTES

Cetus Corp. of Emeryville, California, expects to take a charge of about \$25.5 million against earnings in its second quarter, ended Dec. 31. That amount is equal to the cost of exercising repurchase rights to products contained in Cetus Healthcare Limited Partnership.

Desk Morgan Ltd. of Australia has agreed to acquire Johnson Matthey Commodities Ltd., a unit of Johnson Matthey Bankers Ltd., from the Bank of England, sources said.

Flemons PLC said in London that it had bought J & W Scientific Inc., a California-based manufacturer of capillary columns used in gas chromatography, for \$10.4 million.

Fletcher Challenge Ltd. has extended to Feb. 5 its takeover offer for N.Z. Forest Products Ltd., which was made through its wholly owned unit, Dransfield Investments Ltd. The offer was due to end Monday.

Gulf Air, a Middle Eastern airline that posted a loss last year, has fired about 60 cabin-crew members to cut costs, industry sources said. Gulf Air's plan to fire 550 workers, about 10 percent of its work force, caused a furor in Bahrain at the end of 1986 when 91 dismissals concentrated on Bahraini nationals.

General Motors Acceptance Corp. is arranging financing on the international capital markets that will enable it to offer at least \$1 billion of medium-term notes, banking sources in London said. GMAC is

already one of the largest issuers of medium-term notes in the United States.

Industrial Equity (Pacific) Ltd., a Hong Kong investment firm, told the U.S. Securities and Exchange Commission that it had acquired 792,190 shares of Calmar Co., or 5.34 percent of the total outstanding common stock. Industrial Equity said it bought the stock for \$30.5 million as an investment.

Northwestern Steed & Wire Co.'s board has agreed to sell the Illinois company to a New York investor, Bennett S. Lebow, for \$165 million.

Rockwell International Corp. is seeking stockholder authorization to issue a new class of common, Class A stock that would entitle holders to 10 votes a share. If the proposal is approved, the company said in Pittsburgh, its board intends to declare a stock dividend on one share of Class A common for each common share now outstanding — equivalent to a two-for-one stock split.

Seven-Up Co. will soon introduce a cherry-flavored soft drink aimed at the U.S. youth market. Regular and diet forms of Cherry 7UP are scheduled to be on store shelves nationwide by early February. "Isn't it cool in pink?" is the drink's slogan.

Singapore Airlines is launching a worldwide search for flight crews to keep pace with expansion and to replace pilots who have retired. The airline is seeking about 100 captains, co-pilots and flight engineers.

THAILAND: Continuing Bullish

(Continued from first finance page)

ed to raise the size of the fund to \$25 million, local securities analysts said.

They said that almost all of the \$10 million had been invested, mostly since July, in about 15 Thai blue-chip stocks.

Mr. Meier said he expects that Citicorp's London-based broker Vickers da Costa Ltd. and Industrial-Finance Corp. of Thailand to announce shortly the launching of a Thailand Fund as an investment vehicle for foreigners.

The fund will be managed by Mutual Fund Co., an IFCT affiliate in which Vickers da Costa also holds shares.

Udom Vidhyapathi, managing director of Mutual Fund, said in August that the Thailand Fund would have initial capital of \$20 million to \$30 million and would seek a listing in London.

(Reuters, AFP)

Developers Buy Emigrant of N.Y.

New York Times Service
NEW YORK — Emigrant Savings Bank, founded in the 1850s to provide loans for Irish immigrants and now the 18th-largest U.S. bank, has been sold to two New York real-estate developers.

Seymour and Paul Milstein agreed last week to provide \$90 million in fresh capital to Emigrant to acquire the bank, the state banking department said. The bank had been unable to meet capital requirements of the Federal Deposit Insurance Corp.

This announcement appears as a matter of record only.

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January, 1987

We are pleased to announce the election of the following individuals as additional Managing Directors:

Patrick A. Barrett London
Carlos Cifuentes Madrid
Marie-Annick Flambard-Guy Paris
Michel Flasaquier Paris
R. David Henderson London
Brigitte Lemerrier Paris
Kenneth G. R. MacLennan London
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Monday's NYSE Closing

Totals include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table of NYSE closing prices for various stocks including IBM, AT&T, and others.

Table of stock prices under the heading '12 Month High Low'.

Table of stock prices under the heading '12 Month High Low'.

Table of stock prices under the heading '12 Month High Low'.

Table of stock prices under the heading '12 Month High Low'.

U.S. Futures

Table of U.S. Futures prices for various commodities like wheat, corn, soybeans, and oil.

Food

Table of Food futures prices for items like coffee, sugar, and cocoa.

EURODOLLARS (1986)

Table of Eurodollar rates for various banks and maturities.

EC, U.S. Officials to Meet On Threat of Trade War

BRUSSELS — Top European Community and U.S. officials will meet toward the end of this month to try to avert a trade war, an EC Commission spokesman said Monday. She said the meeting was arranged during a telephone call made by the EC external affairs commissioner, Willy De Clercq, to the U.S. trade representative, Clayton K. Yeutter, in Washington. The United States said Wednesday it will impose 200-percent import duties on a range of European imports unless the EC agrees to compensation for food grain markets the United States lost when Spain joined the bloc last year. The duties, on gin, brandy, olives, certain white wines and cheeses, could cost the EC \$400 million a year. Brussels has said it would immediately respond with parallel restrictions on U.S. exports of corn, grain, animal feed, wheat and rice. The spokesman said no date had been set for the meeting, which would involve Mr. De Clercq, Mr. Yeutter, the EC farm commissioner, Frans Andriessen, and the U.S. agriculture secretary, Richard E. Lyng. She said the meeting would be preceded by talks at expert level.

NYSE High-Lows

Table showing high and low prices for various NYSE stocks.

AMEX High-Lows

Table showing high and low prices for various AMEX stocks.

Currency Options

Table of currency options prices for various currencies.

Financial

Table of financial market data including Treasury bills and bonds.

Stock Indexes

Table of major stock indexes like Dow Jones and S&P 500.

Monday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table of stock market data including NYSE closing prices for various sectors like Technology, Finance, and Industrial.

Table of stock market data including NYSE closing prices for various sectors like Energy, Chemicals, and Consumer Goods.

Table of stock market data including NYSE closing prices for various sectors like Health Care, Telecommunications, and Real Estate.

Floating-Rate Notes

Table of floating-rate notes with columns for currency (Dollars, Pounds Sterling, E.C.U.), issuer, and interest rate.

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 5 Jan. 1987

Large table of international fund quotations, including fund names, share prices, and performance metrics.

Advertisement for Foreign & Colonial Reserve Asset Fund Limited, featuring a gold bar image and text describing the fund's investment strategy and benefits.

Advertisement for Legrand, featuring the company logo and text about share capital increase and dividend actions.

Monday's AMEX Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 High, Low, Close, Chg. Cntr. Lists various stocks like ACI, AM, AMT, etc.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 High, Low, Close, Chg. Cntr. Lists various stocks like AIG, AIG, AIG, etc.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 High, Low, Close, Chg. Cntr. Lists various stocks like AIG, AIG, AIG, etc.

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CURRENCY MARKETS

Dollar's Rebound Called Technical

NEW YORK — The dollar rebounded Monday in what dealers called a technical rebound during the first full day of trading in 1987.

The dollar's rise began at the opening in New York — the European afternoon — when the Bundesbank intervened openly, selling Deutsche marks and buying dollars in the U.S. foreign exchange market.

"The dollar was susceptible to intervention on a technical basis," said Jim O'Neill, economist at Marine Midland Bank. So-called technical traders buy and sell actions on movements of chart lines, expecting history to repeat itself.

In New York, the dollar closed at 1.9235 Deutsche marks, up from 1.9235 Friday; at 159.30 yen, up from 158.50; at 6.3955 French francs, up from 6.3665; and at 1.6283 Swiss francs, up from 1.6148. The pound closed at \$1.471, down from \$1.4885.

The Bundesbank intervention also propped up the dollar in Europe. The dollar ended off its highs, and dealers said they expected downward pressure to continue, particularly in view of last week's news of a much larger-than-expected

London Dollar Rates

Table with columns: Currency, Min., Pct. Includes entries for Deutsche mark, French franc, Swiss franc, and British pound.

U.S. Money Supply Soars \$8.7 Billion

NEW YORK — The basic supply of U.S. money supply known as M-1 soared \$8.7 billion in the week ended Dec. 22 to a seasonally adjusted \$731.0 billion, the Federal Reserve said Monday.

The previous week's M-1 level was revised to \$722.3 billion from \$722.5 billion, while the four-week moving average rose to \$724.0 billion from \$719.2 billion. M-1 comprises currency in circulation, traveler's checks and checking deposits.

French Bank Again Raises Key Rate

PARIS — France's central bank raised its upper interest rate Tuesday for the second time in a week to try to halt a decline of the French franc against the Deutsche mark.

A Bank of France spokesman said the seven-day repurchase rate was being increased by half a percentage point to 8 1/2 percent from 8 percent.

The rate had already been raised from 7 1/2 percent on Dec. 30 as the franc came under increasing pressure. On Friday, the bank also raised its money-market intervention rate to 8 percent from 7 1/2 percent to defend the franc after its fifth consecutive record low fix against the mark, when it dropped to 1.97 DM.

In other European trading, the dollar was fixed at 1.9239 DM in Frankfurt, up from 1.9199 on Friday, and at 6.3625 French francs in Paris, up from 6.3480. In Zurich it closed at 1.6325 Swiss francs.

The British pound fell sharply against the dollar, to \$1.4735 from \$1.4905 on Friday, and against the mark, to 2.8443 DM from 2.8598 on Friday.

Analysts Doubt Early Rally in U.S. Bond Markets

NEW YORK — Wall Street began the first full week of 1987 confident that interest rates would fall further, but economists said Monday that a number of obstacles were in the way of an early rally in the bond markets.

Analysts expect a marked slowdown in U.S. economic growth in the first quarter and an accompanying decline in interest rates. But evidence of that first-quarter weakness is unlikely for another month. Oil prices are firm following the recent agreement by the Organization of Petroleum Exporting Countries to curb output. The Fed funds rate is traditionally high in early January. No cut in the discount rate from West Germany or Japan seems imminent.

And, perhaps most worrying, the dollar has started the year under pressure. But as optimism grows that the economy will slow, dealers said, U.S. government securities prices

extended their New Year's rally Monday.

U.S. credit markets were moderately sharply higher at Monday's closing. Treasury bill rates were unchanged to down one basis point. Coupon issue prices were up from Friday's closing levels.

Henry Kaufman of Salomon Brothers Inc. said the reverberations of Wednesday's report of a record \$19.2 billion U.S. trade deficit in November may not be over.

"The disappointing November trade figures and the dollar's subsequent performance may lead to questions about continued foreign participation in U.S. markets," Mr. Kaufman wrote in his weekly "Comments on Credit."

The trade figures pushed the dollar to a six-year low against the Deutsche mark. Other Salomon Brothers economists said in a companion report that "additional declines in the dollar may come sooner than previously had been expected."

Interest-rate differentials as well as currency considerations could also discourage foreign investors from buying U.S. bonds, some economists fear.

Worried by rampant growth in the money supply, the Bundesbank offered a new securities repurchase agreement on Friday at a new, higher minimum-bid level of 4.4 percent.

"This represents the first increase in the minimum-bid requirement since the return to this allocation format some two months ago, and it has been taken as an indication that the Bundesbank intends to keep raising short-term interest rates," the Salomon Brothers economists said.

Philip Braverman of Irving Securities Corp. said the Bundesbank was unlikely to ease monetary policy until April — or after West Germany's general elections on Jan. 25, industrywide labor negoti-

ations in March and confirmation of economic sluggishness.

The U.S. market will also have to contend with the probability of firm oil prices until early spring and upward pressure on bond yields until the Treasury's early-February refunding issues are placed, Mr. Braverman said in a newsletter.

And the drop in the Fed funds rate to 6 1/4 percent on Friday from the average in the Dec. 31 week of 9.2 percent does not spell the end of seasonal pressures in the money markets.

"Experience suggests that the funds rate will continue abnormally high until the third week of January," Mr. Braverman said.

"Expect a significant decline in market interest rates this year in response to weaker U.S. economic growth, still moderate inflation, high real interest rates, reduced borrowing pressures and further Fed easing," he advised.

CHINA: Long March to Consumerism Begins, Replacing Thrift, Austerity

(Continued from first finance page) A Western-style wool sports jacket or suit.

At the Xidan department store, one of the largest in Beijing, big crowds line up at the cosmetic counters.

On a recent Saturday, Xi Huirong, an office worker, stood at the counter examining a special new quick-remove wrinkle cream. "I'll try it," she said after hesitating for a moment.

Three jars cost 6.7 yuan (\$1.80 at official exchange rates), roughly a quarter of a week's wages, but her husband raised no objection. The saleswoman, Zhang Chengmei, said she sells 600 jars of the cream each day.

For the time being, at least, the Chinese regime has decided to tolerate the national splurge on fashion and cosmetics. A signed article in the People's Daily, the official Communist Party newspaper, said last year that whatever people choose to wear was a private matter, unrelated to politics.

According to official figures, approximately 3 percent of China's urban population, of 200 million people lives in poverty. The per-capita income in Chinese cities is \$17 a month, but for these 10 million urban poor the per-capita income is less than \$9 a month.

In September, Song Tingming, an economic adviser to Prime Minister Zhao Ziyang, estimated that in the countryside about 50 million to 60 million of China's 800 million peasants are living in such poverty that they lack sufficient food, clothing and shelter.

Nevertheless, in both rural and urban areas, over the last couple of years the majority of Chinese have been buying goods and spending money as never before.

China's buying spree dates back to the fall of 1984 when the Communist Party adopted a package of market-oriented economic reforms for urban areas.

As part of the program, the party announced that it would begin to lift price controls on many items and let prices be determined by supply and demand.

Anticipating price rises, Chinese families rushed to stock up on food and began buying consumer goods such as television sets and refrigerators in unprecedented numbers.

In 1985, the regime let prices shoot up by as much as 50 to 100 percent on meat, fish, vegetables and all other food items except rice and bread. According to official Chinese figures, the overall inflation rate in Chinese cities in 1985 was 11.8 percent, and some Western economic analysts believe the actual rate was somewhat higher.

During the first eight months of 1986, inflation slowed to an annual rate of 5 percent, according to Chinese figures. That was well below the rate a year before, but was still extraordinary by the standards of a country whose Communist leadership once published a book titled "Why There Is No Inflation in China."

Then, at the end of the summer, the Chinese regime lifted price controls on a new series of consumer goods. Prices on bicycles, the nation's principal means of transportation, were allowed to float. So were prices of refrigerators, washing machines, tape recorders, cot-

ton yarn and black-and-white television sets.

Since then, China's ministry of light industry has removed price controls on hundreds more consumer items, including stationery, shoes, clothing, toys, cosmetics and furniture. The price of a liter of milk has been raised 38 percent.

Official statements have hinted at further price increases this year. Chinese official figures indicate clearly that people both earned and spent a lot more money last year than in previous years.

Wages paid out in the first nine months of 1986 were 20.4 percent above the level of a year ago — far over the target of 7-percent growth set by the government. Much of this increase represented bonuses paid to workers.

Retail sales, the indicator of how much money Chinese are spending, increased by 14 percent during the first nine months of 1986 and by 18 percent in the third quarter compared with year-earlier periods. The state's five-year economic plan for 1986-90 set a target of about 7 percent a year.

THE EUROMARKETS

Borrowers Launch 4 Australian-Dollar Issues

By Christopher Pizzev

LONDON — After weeks of lassitude, the primary sector of the Eurobond market returned to life Monday with several new issues. The Australian-dollar sector, with four new issues totaling 215 million dollars, accounted for most of the activity.

Dealers said secondary markets were relatively quiet, with most sectors closely unchanged from Friday's closing levels.

The largest of the Australian issues, all of which were for Australia

lim borrowers, was a 75 million dollar issue for BHP Finance Ltd. The issue, guaranteed by Broken Hill Pty, pays 14 1/2 percent over five years and was priced at 101 1/2. It was lead managed by Orion Royal Bank.

ANZ Merchant Bank lead managed a 50 million dollar issue, the first for its parent, Australia & New Zealand Banking Group. The five-year issue pays 14 percent and was priced at 101 1/2. It was quoted in when issued trading on its total fees of 2 percent.

ANZ's other issue was for the Government Insurance Office of

New South Wales. It came to market with a four-year bond paying 14 percent and priced at 101 1/2. It was quoted on its fees of 1 1/2 percent.

CSR Finance Ltd. launched a 40 million dollar bond guaranteed by its parent, CSR Ltd. The five-year issue, lead managed by Hambros Bank, pays 14 1/2 percent and was priced at 101 1/2. It was trading late in the day on its 2 percent fees.

In the dollar-straight sector, Finland launched a \$200 million bond paying 7 1/2 percent over 10 years and priced at 101 1/2. It was lead managed by Morgan Guaranty Ltd. It was quoted just inside its fees of 2 percent.

Sales of marks by the Bank of France in thin post-Christmas trading last week prevented a further rise in the mark.

There was no immediate indication whether French banks would raise their base lending rates to prime customers in response to the Bank of France rate increases.

The banks have recently been in a dispute with customer lobby groups over proposals to introduce check charges, and so may be reluctant to raise interest rates, banking sources said.

Most bank base rates have been at 9 1/2 percent since last May, although Credit Lyonnais cut its rate to 9.45 percent in September.

Monday's OTC Prices. NASDAQ prices as of 4 p.m. New York time. Via The Associated Press.

Table of OTC prices for various stocks including ABC, AIG, AIZ, etc.

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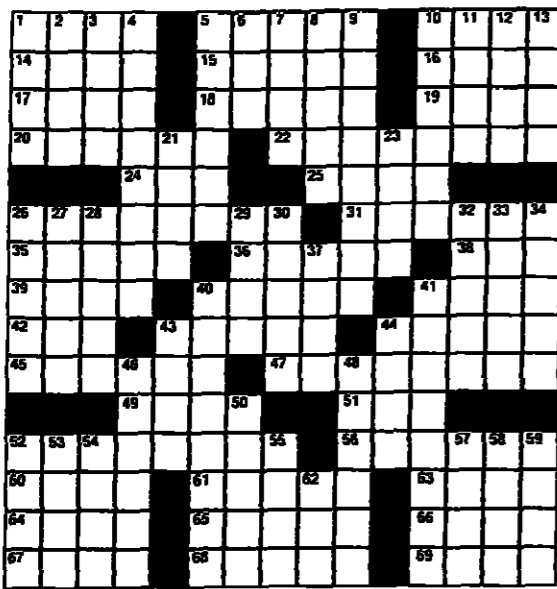
Table of OTC prices for various stocks including AIZ, AIZ, AIZ, etc.

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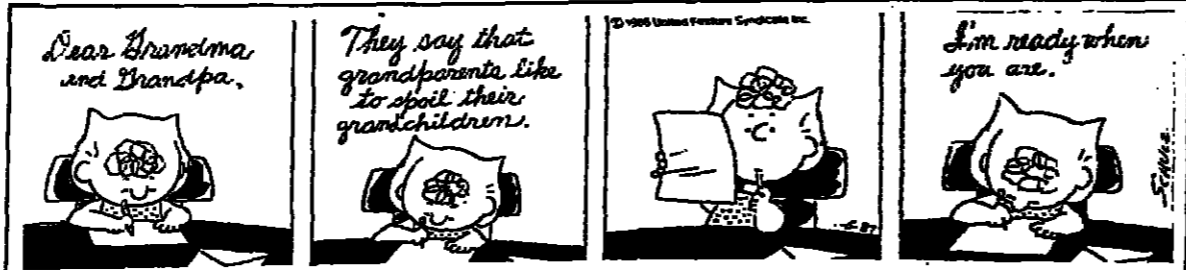
Table of OTC prices for various stocks including AIZ, AIZ, AIZ, etc.

Stocks figures are unofficial. Weekly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounts to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual distributions based on the latest declaration. a - dividend rate (annual); b - quarterly dividend; c - monthly dividend; d - new yearly high; e - new yearly low; f - dividend declared or paid in preceding 12 months; g - dividend in Canadian funds, subject to 15% non-residence tax; h - dividend declared after split-up or stock dividend; i - dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting; j - dividend declared or paid this year, on an accumulative basis with dividends in arrears; k - new issue in the past 52 weeks. The high-low range begins with the start of trading; m - next day delivery; P/E - price-earnings ratio; r - dividend declared or paid in preceding 12 months, plus stock dividend; s - stock split. Dividend begins with date of split; t - dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date; u - new yearly high; v - trading halted; w - its bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies; x - when distributed; y - when issued; z - with warrants; aa - ex-dividend or ex-rights; ab - ex-distribution; ac - without warrants; ad - ex-dividend and split in full; ae - yield; af - sales in full.

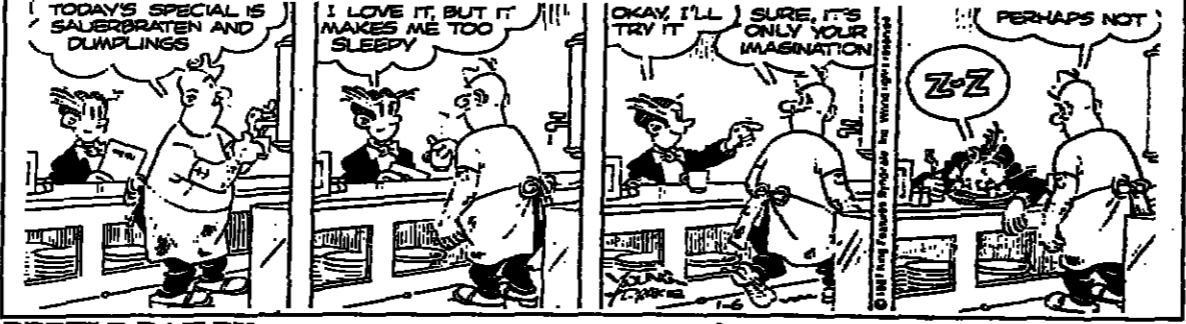


- ACROSS**
- Gemstone
 - Rumba specialist
 - Inland sea
 - Take — leave it
 - U.S. rocket
 - Strobile
 - Caisson load, for short
 - Valentina role
 - English art patron
 - Tad
 - Directive
 - Women's org.
 - Remotely
 - Directive
 - Insect stage
 - Zones
 - Sling
 - d'Orleans
 - Adorn, in a way
 - Intrinsically
 - Old Arlic con
 - Rocheester-ty
 - Syracuse dir.
 - 42 Cantata
 - singers
 - 44 Suppose
 - 45 Fitzgerald's
 - Graham
 - 47 Neolithic time
- DOWN**
- Thailand, once
 - Vapor: Comb. form
 - Frolic
 - 4 Directve
 - Havana V.I.P.
 - 6 Exclamation of disgust
 - 7 Turns right
 - 8 Loos or O' Day
 - 9 Directive
 - 10 Olivier and
 - 11 Appaloosa's
 - 12 Against
 - 13 Old manorial court
 - 21 St. Louis bridge
 - 23 Glazier's unit
 - 26 Senate aides
 - 27 March 17 marchers
 - 28 Martinique volcano
 - 29 Stimulate quilling
 - 30 Peter and a Wolfe
 - 32 Shinbone
 - 33 Get — (move)
 - 34 Biography by Freeman
 - 37 Gal Fri.
 - 40 Directive
 - 41 Directive
 - 43 Fronton word
 - 44 — even keel
 - 46 Foray
 - 48 Bay windows
 - 50 Caravansary
 - 52 Pt. of C.P.A.
 - 53 — gin
 - 55 Jackknife, e.g.
 - 57 Indigo source
 - 58 True
 - 59 Eliminate
 - 62 — Vicente, El Salvador

PEANUTS



BLONDIE



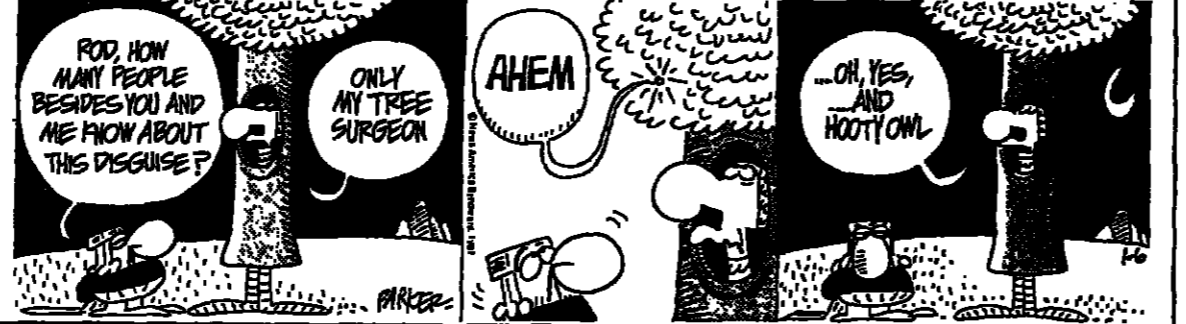
BEEBLE BAILEY



ANDY CAPP



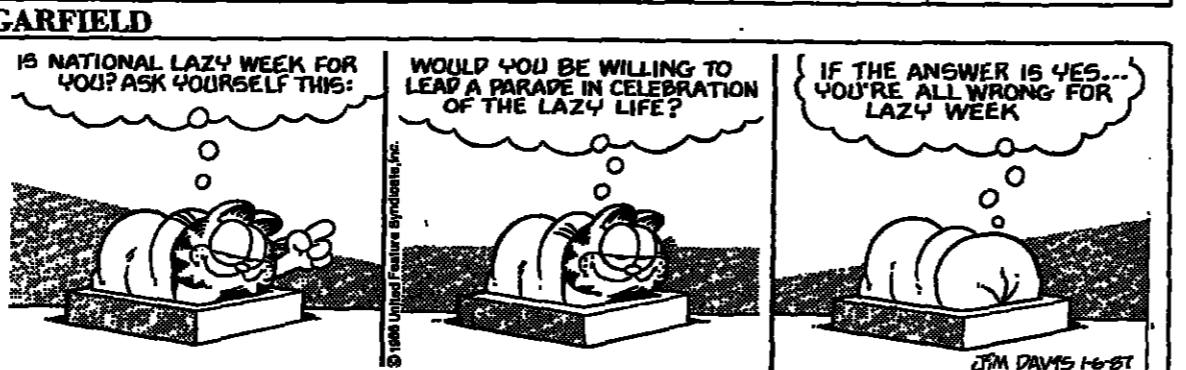
WIZARD OF ID



REX MORGAN



GARFIELD



DENNIS THE MENACE



JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

SVORI

IDDEC

DAYPOR

SPEBIC

Answer: "OOO-OOOOOO" HIM

Yesterday's Jumbles: KNELL, TABOO, PUZZLE MEMBER, Answer: What sailing a boat on a nice windy day can be — A BREEZE

WEATHER

EUROPE	HIGH	LOW	ASIA	HIGH	LOW
Algeria	15	8	Beijing	2	0
Amsterdam	10	5	Bombay	25	17
Antwerp	10	5	Hong Kong	21	14
Berlin	10	5	Manila	25	17
Bombay	15	8	New Delhi	19	12
Buenos Aires	15	8	Shanghai	7	0
Calcutta	15	8	Singapore	25	17
Cardiff	10	5	Tokyo	4	0
Chicago	15	8			
Columbus	15	8			
Dallas	15	8			
London	10	5			
Los Angeles	15	8			
Madrid	10	5			
Miami	15	8			
Manila	15	8			
Mexico City	15	8			
Montreal	10	5			
New York	15	8			
Osaka	15	8			
Paris	10	5			
Prague	10	5			
Rangoon	15	8			
San Francisco	15	8			
Santiago	15	8			
Sao Paulo	15	8			
Seoul	15	8			
Singapore	15	8			
Taipei	15	8			
Tokyo	15	8			
Washington	15	8			
Yokohama	15	8			

World Stock Markets

Via Agence France-Press Jan. 5

Closing prices in local currencies unless otherwise indicated.

Market	Index	Change
Amsterdam	325.50	+0.25
Bombay	1512.00	+15.00
London	2712.00	+12.00
Paris	1212.00	+8.00
Singapore	1212.00	+8.00
Tokyo	1212.00	+8.00

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BOOKS

FRANK NORRIS: Novels and Essays
 Edited by Donald Pizer, 1,232 pages.
 \$27.50. Library of America, 14 East 70th Street, New York, N. Y. 10022.
 Reviewed by Herbert Mitgang

There is a fairly straight line in the American naturalist novel from Frank Norris to Theodore Dreiser to John Steinbeck. Some of the themes they tackled through their characters first appeared in nonfiction form at the turn of the century, when the muckraking magazine journalists examined the excesses of various industries, from the stockyards to the oilfields. Looking at the popular books published today, it's hard to imagine that powerful works of fiction and fact that exposed unsafe conditions in the mines or the travails of migratory workers once led to legislative changes.

With the three novels and essays in "Frank Norris," an opportunity exists to read, or re-read, in a new edition, the work of one of the trailblazers in American literature. Norris (1870-1902) marched to the sound of Zola, whose novels he had studied for several years at the University of California at Berkeley. In "The Octopus," his major novel included here, Norris pitted a railroad monopoly and its political allies against the California ranchers; similarly, Zola in "Germinal" had stressed unwholesome working conditions and social revolt.

In addition to "The Octopus," the collection

BOOKS

includes "McTeague," a novel of human depravity, spiritual longings, murder and revenge which (with Ben Stribling) formed the basis for the 1924 film, "Grand Illusion"; and "Vandover and the Brute," which followed the life of an artist through a life of drunkenness and debauchery in the recognizable streets of San Francisco. This Library of America collection, with a useful biographical chronology, has been tastefully assembled by Professor Donald Pizer of Tulane University, who is the author of critical works on Norris, Dreiser and Hamlin Garland.

It could be argued that Norris's novel "The Pic," which followed the life of an artist through a life of drunkenness and debauchery in the recognizable streets of San Francisco. This Library of America collection, with a useful biographical chronology, has been tastefully assembled by Professor Donald Pizer of Tulane University, who is the author of critical works on Norris, Dreiser and Hamlin Garland.

Norris theorized about the techniques of fiction and the breadth of the novel. In a series of essays that appear at the end of the book, he shows an awareness of what he and other realistic writers were doing to break away from the sentimentality that prevailed in fiction before the turn of the century. Norris discusses the mechanics of fiction, the novel with a purpose, the need for a literary conscience, the business of fiction writing, the responsibilities of the novelist.

Herbert Mitgang is on the staff of The New York Times.

CHESS

By Robert Byrne

A NEW effort to provide assistance in development, the Stamford Chess Fellowship, sponsored by Frank P. Samford of Birmingham, Alabama, offers a stipend for a year's coaching by a leading trainer and for research material and living expenses.

Applicants must be under 25, have completed high school by June 30, 1987, and have a rating from either the United States or International Chess Federation.

Perhaps the most promising young American player currently is Ilya Gurevich, 14, of Worcester, Massachusetts. Gurevich's best game from the recent World Under 16 Championship in Rio Gallegos, Argentina was against Sophia Polgar of Budapest, the world's strongest 11-year-old.

Gurevich apparently does not care for the violent Keres attack with 6 P-KN4 but let the game head into a main line Scheveningen Variation after 6 B-K2.

The typical rubric can be seen after 9... B-Q2: the black pieces are confined to three ranks, yet Black is not really cramped and the black pawn formation is solid; White's task is to use his superiority in controlled space to develop an attack, preferably against the king.

One would have expected Black to play 13... P-QR3 in preparation to seize space on the queen's wing with the threat 28... RxRch, there could have followed 29 QxR, Q-Q2; 30 P-

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Position after 27... B-K2

27... B-K2; 28 Q-K6, P-QR4; 29 Q-K2, P-QN4, P-P3; 30 P-P3, K-B2; 31 Q-K2, K-B2; 32 K-R1, K-B2; 33 K-Q2, K-B2; 34 R-R1, K-B2; 35 K-N1, K-B2; 36 R-R1, K-B2.

Polgar might have tried 29... B-Q2, but 30 QxP, BxP; 31 Q-Rch, K-B2; 32 K-R1, K-B2; 33 K-Q2, K-B2; 34 R-R1, K-B2; 35 K-N1, K-B2; 36 R-R1, K-B2.

After 32 Q-N4, Polgar was forced to lose the exchange in view of the threat of 33 BxN. Since the resulting position would have been hopeless, she gave up.

The breakthrough with 21 P-K6! enabled Gurevich after 21... PxP; 22 N-KP, Q-N2, to set up a formidable attacking formation with 23 B-Q4.

His second breakthrough, with 28 P-B, was crushing. On 28... RxRch, there could have followed 29 QxR, Q-Q2; 30 P-

BRITAIN

SCOREBOARD

Player	Score
Polgar	17
Gurevich	17
...	...

Market	Index	Change
Amsterdam	325.50	+0.25
Bombay	1512.00	+15.00
London	2712.00	+12.00
Paris	1212.00	+8.00
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Tokyo	1212.00	+8.00

Satur days
 Get Fridays Closing Prices.

SPORTS

Broncos Down Patriots to Gain AFC Final

By William N. Wallace New York Times Service

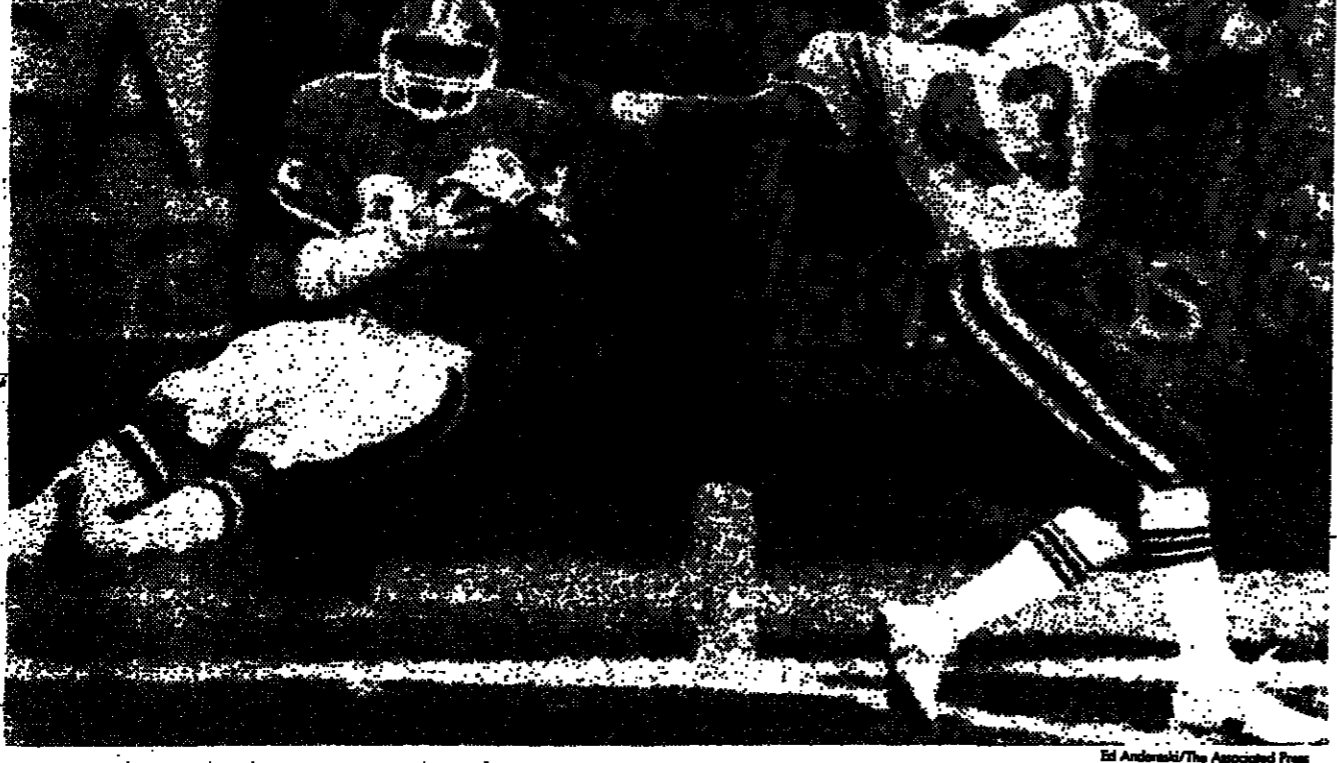
DENVER — The Denver Broncos had what New England lacked in a running game, an inspiring quarterback and a penetrating defense. The result was a 22-17 victory for the Broncos over the Patriots in an American Conference division-playoff game here Sunday.

Both quarterbacks, John Elway of Denver and New England's Tom Brady, made some big plays, but Elway's proved to be bigger. He ran for one touchdown on a surprise play and passed 43 yards to Vance Johnson for a second.

The victory qualified the Broncos for the conference championship game in Cleveland on Sunday against the Browns. The team that wins that game will go on to the Super Bowl on Jan. 25 to play the AFC champion, either the New York Giants or the Washington Redskins.

New England mustered no final pass in the fourth quarter and the Patriots' last offensive play was symbolic of their day. Elson was tackled in his own end zone by Ron Johnson's Irving Fryar who buried his team deep in its own territory by fielding a punt near the goal line.

Earlier, Elson had completed two touchdowns passes to Stanley Morgan, but those big plays were almost the total of the New England offense.



Denver wide receiver Vance Johnson, having beaten cornerback Ernest Gibson, was sitting pretty in midair with the decisive TD.

NFL PLAYOFFS

This drew a 5-yard penalty for delay of game — a lenient punishment from referee Jerry Soeman, who could have charged Elway with unsportsmanlike conduct and assessed a 15-yard penalty. From the 7, a quarterback sneak gained 3 yards, and on fourth down Rich Karlis kicked a field goal for the first score.

The New England offense, which had done little, came alive as the second quarter began and moved from the seven plays for a touchdown. The big plays were passes by Elson to Morgan, the top Patriot wide receiver, for 36 yards and to Greg Baty for 10 more.

From the Denver 19, Elson put a perfect pass into the back of the end zone for Morgan, who was covered man-on-man by cornerback Steve Wilson. Once again, the swift

receiver feasted on single coverage. Tony Franklin kicked the extra point, and the Patriots were ahead, 7-3.

After two incompletions on the next drive, Elway had completed only 3 of 13 passes. He had been throwing the ball deep most of the time, trying for the big play that did not come. On third down, he passed to Orson Mobley, the rookie tight end, for a first down.

Denver turned to a running game and moved to the New England 21. On first down, with a pass in mind, Elway found his receivers covered, so he took off round right end — and wound up in the end zone with his third touchdown of the season.

There was nothing too unusual about the run, because Elway had been the team's third-leading ground gainer this season. The conversion kick put the Broncos ahead, 10-7. In the seventh minute of the period.

The Patriots were able to tie the score on a 38-yard field goal by Franklin in the last minute of the half, and Elway had something to do with that too. Attempting a pass from his 33, Elway was hit by Andre Tippett, New England's star linebacker. The ball went only three yards, hit linebacker Johnny Rasmussen in the chest and was intercepted.

From the Denver 29, Elson ran for 13, then passed incomplete twice to the end zone and was sacked for the third time. Franklin then kicked his field goal.

On the interception and hit by Tippett, Elway's right leg had become entangled, and he suffered a twisted ankle. He limped off with two trainers aiding him, but was back for the second half.

In the first half, Elway had completed just 8 of 23 passes attempts for 157 yards.

Gerald Wilhite, Denver's leading runner, did not come out for the second half because of an injured shoulder and Gene Lang replaced him.

Lang and Sammy Winder were the ball-carriers as the Broncos went back to a running game that brought them to the Patriot 5 and no farther. Karlis then kicked a 22-yard field goal and Denver was ahead, 13-10.

Not for long. The Patriots came up with a touchdown on a trick flea-flicker play. Elson handed the ball to Motti Tappan, who ran wide, stopped and passed the ball back to his quarterback, who looked deep.

Meanwhile, Morgan was sprinting down the center of the field ahead of cornerback Louis Wright, and Elson's pass went into his hands at the 2. Morgan stepped into the end zone and the New England was ahead, 17-13.

Denver soon had a retort. On the last play of the third quarter the Patriots were visibly offside after the snap of the ball so Elway had in effect a free play. In the confusion, he threw 49 yards downfield to Johnson for a touchdown and a 20-17 lead.

One Giant Step Toward the Super Bowl

By Frank Litsky New York Times Service

EAST RUTHERFORD, New Jersey — Had it been a fight, the referee would have stopped it. The New York Giants, with a superb defensive performance and an offense almost as good, overwhelmed the San Francisco 49ers, 49-3, Sunday and moved one victory away from the National Football League's Super Bowl XXI.

The triumph sent the Giants into the National Conference championship game here next Sunday against the Washington Redskins. The winner will move into the Super Bowl Jan. 25 in Pasadena, California, against the AFC champion, either Denver or Cleveland.

Five weeks ago, the 49ers stopped the Giant running game cold, and New York was fortunate to rally from a 17-0 deficit to a 21-17 victory.

Although the Giants finished the regular season with a 14-2 record and the 49ers were 10-5-1, San Francisco had won two of the last five Super Bowls. The Giants had not been in a championship game since 1963.

They are now. Their defense held the 49ers to 29 yards rushing, 184 yards in total offense, and only 2 of 14 third-down conversions. They knocked quarterback Joe Montana out of the game just before the end of the first half with a concussion; he was hospitalized for overnight observation, and his condition was listed as "normal" on Monday.

Montana was hurt when Jim Burt smashed into him as Montana was throwing a pass. Lawrence Taylor intercepted and returned the ball 34 yards for a touchdown, the Giants' third in the second quarter. They scored three more in the third period.

The first New York touchdown came after Jerry Rice of the 49ers caught a pass and fumbled away a sure TD. The second touchdown came after Herb Welch's interception. The fourth touchdown came on Taylor's interception. The seventh and last touchdown came after Pepper Johnson's interception.

The Giants had many defensive heroes. Carl Banks repeatedly stuffed running plays. Harry Carson threw Joe Cribbs for losses on runs. Kenny Hill recovered Rice's fumble in the Giant end zone. Burt and

Johnson put constant pressure on the 49er offense. And on and on.

Meanwhile, the New York offense kept moving the ball. It had bitter memories of its last game against the 49ers, when its runners carried 19 times for 13 yards net (Joe Morris, who has made 100-yard games customary, carried 13 times that night for 14 yards).

This time, Morris thrived and Phil Simms thrived. Simms passed for four touchdowns — 24 yards to Mark Bavaro, 15 to Bobby Johnson, 28 to Phil McConkey and 29 to Zake Mowatt. Morris carried 24 times for 159 yards and two touchdowns on runs of 45 and 2 yards.

In their previous meeting, San Francisco stopped the Giant running game with virtually an eight-man front. Carlton Williamson, the strong safety, played almost on the line of scrimmage.

Simms' passing figures — 9 of 19 for 136 yards — were not majestic. The four touchdowns passes were, as Ron Ferrari, a 49er linebacker, said, "Simms had all-pro day."

"I knew sooner or later we would hit some passes," said Simms, "so I was patient. But if we ran every time I wouldn't care, because that means we would get to play another week."

The Giants will get to play at least one more week, partly because they solved the 49er defense against the run. Some of that came from good blocking. Some came from the use of two tight ends (Bavaro and Mowatt) at the same time.

In their previous meeting, the 49ers had overloaded the strong side of the Giant offense, the side where the tight end played. This time, with two tight ends, there was no strong side, and the addition of Mowatt put another strong blocker on the line.

"They didn't know which way we were going," said Billy Ard, the Giant offensive guard. "So that made it tough for them to pull kicks. And this way if you get through the crease you can go for a long walk."

"They played a perfect game," said Bill Walsh, the 49ers' coach. "It wasn't perfect," said Coach Bill Parcells of the Giants, "but we played very well." The best he's seen? "Pretty close," said Parcells.

"We were shattered by a great team," said Walsh. "I believe they will go all the way."

On Sunday, the Giants practiced against a defense in which Ronnie Lott, the free safety, supported the running defense and Williamson dropped back pass coverage.

"I asked our coaches why we were doing that," said Simms. "I said it should be the other way around. They said they expected the 49ers to do it this way. It shows us how much I know." And that was the way the 49ers did it.

This time, the Giants ran 44 times for 216 yards against a defense that allowed an average of only 97.2 yards rushing during the regular season, the third lowest in the NFL.

Morris, with his quickness, often had broken through inside holes or had turned the ends before the 49ers could react. "He was running today like he never seen him running before," said Jim Fahnborst, a 49er linebacker.

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49er Coach Bill Walsh "They played a perfect game."

SCOREBOARD

Football

Table with NFL Playoffs results including Denver vs Cleveland, NY Jets vs Kansas City, and Super Bowl (II) results.

Playoff Summaries

Denver vs Cleveland (AFC Divisional): Denver 23, Cleveland 17. Denver's Elson threw two TD passes to Stanley Morgan.

Hockey

Table with NHL Standings for various teams like Philadelphia Flyers, NY Islanders, and Boston Bruins.

U.S. College Results

Table with U.S. College Results for various conferences including Big Ten, SEC, and Big East.

Transition

Transition: National Football League announced that Chuck Dickerson would be assistant to the head coach and Bob Ferguson director of pro personnel.

European Soccer

Table with Spanish First Division results including Athletic Bilbao, Real Sociedad, and Real Madrid.

Bond Camp Is Feeling the Now-or-Never Pressure

By Angus Phillips Washington Post Service

FREMANTLE, Australia — Alan Bond's Australia IV is two losses away from elimination from the America's Cup, and Bond's man on the scene says it isn't the boat's fault.

"If we can't win in the next two days," said syndicate manager Warren Jones on Sunday, "then we will have let down a very good boat."

Australia IV is the flagship of the syndicate that rocked the yachting world by winning the cup in 1983; with two races to go in the defender semifinals, it is tied for the lead with Kookaburra III, which has already wrapped up one of the two slots in the finals.

If Australia IV can't beat Kookaburra II on Tuesday — Monday's schedule was abandoned when high winds produced unsuitable conditions for fair racing — or Kookaburra III on Wednesday, Kooka II will join her stablemate in the best-of-nine series to determine who defends the cup.

AMERICA'S CUP

It worked, insofar as she shot into the lead, but then the protest wiped out the victory. And now, Jones said, sailmakers from Sydney to San Diego are busy making copies, spoiling his secret.

"We made a decision," said Jones, "that because we're rolling three years work here, we'll fire whatever bullets we've got. Unfortunately we didn't get the points, so it didn't work."

Bond said the club stands to make \$10 million from running the cup competition, but instead of turning the money back to defense syndicates it is being put into capital improvements.

"If we lose," said Bond, who owns Australia IV, "they can blame themselves. Bond said the RPYC competed with the syndicates for sponsor dollars. "From a club member's point of view, it's very nice," he said, "but the sponsors should have put (the money) in the syndicates."

He said his syndicate owes \$4 million to \$5 million and rival Kevin Parry's Kookaburra group is three or four times that deeply in debt.

The RPYC has "an obligation to help," he said in a televised broadcast, adding, "We who own it have a greater right to market the cup than anyone."

Schneider Widens Cup Lead With Giant Slalom Triumph

United Press International

SAALBACH, Austria — Vreni Schneider scored her third victory of the World Cup skiing season here Monday, winning a giant slalom and strengthening her lead in the overall cup standings.

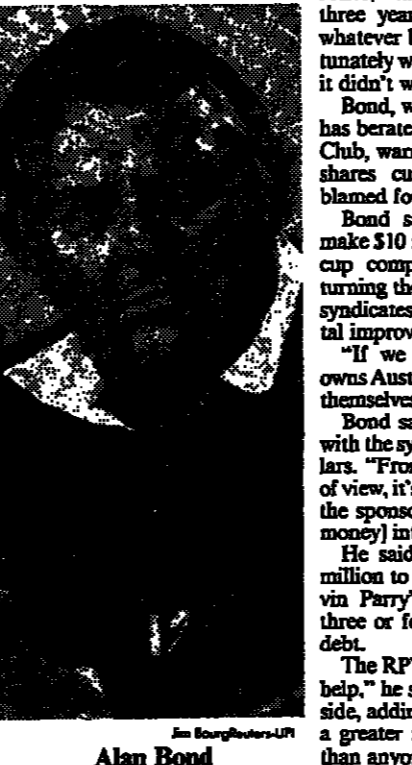
Schneider led after an aggressive first run of 56.41 seconds and then held on in the second leg to win with an aggregate 1:53.69. Mateja Svet of Yugoslavia was second in 1:54.06 and Schneider's Swiss teammate Maria Walliser was third in 1:54.76.

Schneider, who has finished in the top four of all four giant slaloms this season, also won at Waterville Valley, New Hampshire, Dec. 6, and took a slalom at Courmayeur, Italy, 11 days later.

The 22-year-old now leads the overall standings with 151 points. Walliser, the defending overall cup champion, is second with 125, and another Swiss, Erika Hess, third with 108.

Hess was seventh Monday as the Swiss team again demonstrated its dominance of the women's World Cup circuit by taking five of the top 10 places.

The race, rescheduled because of weather conditions from Maribor, Yugoslavia, was run in freezing temperatures over sticking fresh snow on the Kohnlmas course, which featured 41 gates on the first run and 38 on the second.



Vreni Schneider: Victory No. 3

Saturday Closing Prices

ESORTS & GUIDES INTERNATIONAL CLASSIFIED (Continued from Back Page) with various travel agency listings.

